ROYAL COMMISSION

ON

BANKING AND CURRENCY

PROCEEDINGS

1933

VOLUME II

ROBERT BRYDIE,
OFFICIAL REPORTER

ROYAL COMMISSION ON BANKING AND CURRENCY

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Robert Brydie,
Official Reporter.

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ROYAL COMMISSION ON BANKING AND CURRENCY

THE RIGHT HON. LORD MACMILLAN, P.C., K.C., Chairman.

SIR THOMAS WHITE, P.C., K.C.M.G., SIR CHARLES ADDIS, K.C.M.G.,
BEAUDRY LEMAN, B. Sc., C.E., HON. J.E.BROWNLEE, K.C., M.L.A.

B. J. Roberts, Esq.,
Secretary.

A. F. W. Plumptre, Esq.,
Assistant Secretary.

PUBLIC SITTING

The Court House,

VANCOUVER, B.C.

16th August, 1933.

FIFTH DAY

Robert Brydie,
Official Reporter

THE CHAIRMAN: You may remember, gentlemen, the yesterday in the course of our proceedings when Mr. McCormack was giving evidence on behalf of the Canadian Western Lumber Company, Limited, and the Lumber Manufacturers' Association, Mr. Brownlee asked a questi as to certain statistics. The Commission is indebted to Mr. McCormack for these figures and if they are of publi interest perhaps I might read them:-

"When giving evidence before your Commission this morning you asked if I could give you data relative to lumber shipments from the B. C. Lumber Manufacturers' Association to the three prairie provinces for a period of years, For the purpose of comparison the following are the figures take from the Association records:

1928	434	million	feet
1929	367	"	"
1930	233	"	"
1931	133	"	"
1932	85	"	"

The first six months of 1933 - estimated 40 to 45 million feet."

So that it does show a very considerable drop.

"I am also enclosing for your information, which you may find of value, the shipments of the Canadian Western Lumber Co., of which I am managing director, the years 1927-1932 inclusive. You will note in the year 1928 our total shipments to the three prairie provinces was 53 millions, reduced in the year 1931 to 11,400,000'.

I am also enclosing for your information, if it may be of value to you, a detailed shipment of our company's Domestic, United States and Foreign orders for years 1919 to 1932 inclusive - total shipments of 1,432,937,747'. You will notice in the years 1920 and 1921 83% and 85% of our production was marketed in our Canadian market. For the year 1932 we marketed only 39% of our production. In the year 1932, as you will see, we were obliged to market 50% of our production in Foreign markets, and for the year 1933 our percentage of Foreign shipments will be considerably above those of last year.

You will also notice from these figures that we hav

"shipped as high as 36% of our production to the United States, and for a period of 14 years, 23% of our production was sold in the United States which market owing to the tariff and Excise tax of $4.00 per 1000' against Foreign lumber deprives us of that market altogether for the time being.

SHIPMENTS OF LUMBER MADE BY THE CANADIAN WESTERN LUMBER COMPANY, LIMITED, FRASER MILLS, B.C., TO THE THREE PRAIRIE PROVINCES, ALBERTA, SASKATCHEWAN AND MANITOBA.

Year	Province	No. of Feet	Total No. of Feet
1927	Alberta	6,348,087	
	Saskatchewan	26,678,221	
	Manitoba	10,152,640	43,178,948
1928	Alberta	9,096,986	
	Saskatchewan	30,084,881	
	Manitoba	13,760,912	52,942,259
1929	Alberta	8,147,266	
	Saskatchewan	17,722,003	
	Manitoba	11,266,410	37,135,679
1930	Alberta	3,865,364	
	Saskatchewan	7,197,356	
	Manitoba	5,352,903	16,415,623
1931	Alberta	3,962,643	
	Saskatchewan	3,827,686	
	Manitoba	3,639,273	11,429,602
1932	Alberta	4,015,317	
	Saskatchewan	5,188,395	
	Manitoba	4,653,499	13,857,211

CANADIAN WESTERN LUMBER COMPANY LIMITED,

FRASER MILLS, B. C.

DESTINATION OF LUMBER SALES FOR THE PERIOD JANUARY 1, 1919,

TO DECEMBER 31, 1932.

	CANADA		UNITED STATES		FOREIGN		TOTAL
YEAR	FEET	%	FEET	%	FEET	%	FEET
1919	60,688,538	68	22,895,355	26	5,189,148	6	88,773,041
1920	68,413,603	83	9,491,994	11	5,023,778	6	82,929,375
1921	57,536,532	85	927,741	1	9,585,795	14	68,050,068
1922	61,391,515	64	21,652,807	23	12,776,886	13	95,821,208
1923	46,938,043	50	29,559,123	31	18,217,921	19	94,715,087
1924	38,716,819	41	31,480,670	33	24,736,061	26	94,833,550
1925	51,298,572	50	31,278,986	30	20,873,240	20	103,450,798
1926	66,903,554	55	27,882,405	23	26,899,085	22	121,685,044
1927	69,203,452	55	25,032,116	20	30,869,075	25	125,104,643
1928	88,779,813	67	19,599,834	15	24,510,655	18	132,890,302
1929	71,686,857	53	28,458,671	21	35,715,048	26	135,860,576
1930	48,870,396	45	38,775,414	36	21,317,735	19	108,963,545
1931	31,610,355	39	28,806,718	35	21,764,751	26	82,181,824
1932	37,983,070	39	10,858,394	11	48,737,222	50	97,578,686
	800,021,119	56	326,700,228	23	306,216,400	21	1,432,937,747

THE CHAIRMAN: We are very much indebted to Mr. McCormack for those figures which are of much interest to us.

Mr. Mercer also, you may recall, undertook to give us some figures relating to the Fraser Valley Milk Producers' Association. Those are also embodied in a memorandum, and we are very much indebted to Mr. Mercer for same.

"MEMORANDUM

August 16, 1933.

Organized in 1913. Owing to difficulty in financing and the Great War did not commence operations until February 1917.

Plants: Vancouver; wholesale milk, small creamery, cottage cheese plant, storage and offices.

Sardis; "Utility" plant, butter, cheese, powdered milk, casein, semi-solid buttermilk.

Abbotsford; Evaporated milk, capacity 1300 cases daily.

Statistics:

	1917	1932
Membership	848	3,567
Assets	$ 166,857.	$ 1,329,885.
Capital	$ 77,059.	$ 1,020,636.
B. Fat produced	1,709,528 lbs:	5,724,269. lbs:

Total B.Fat, 1917 to 1932 58,337,358 lbs:
Total value to members $ 30,670,758.
Average Price per lb. B.Fat 52½¢
Manufactured during this period over 50% of total, balance sold in fluid form.

All capital provided by dairy farmers. At commencement each subscribed $50.00 per daily can of milk and shortly thereafter a further $100.00 a can. Members accepted now on subscription of $50.00 irrespective of daily production.

Finance during peak production period each year by loans from Bank under Sec: 88. Loans being retired as stocks are reduced.

"Bond issue of $417,000.00 (held for the most part by farmers) in 1924 to finance extension of plants now reduced to $83,400.00 (Dec: 31, 1932). This should be completely retired in Dec: 1934.

Production summary, 1932:-

Disposition	Quantity		Unit Return
Vancouver Fluid Market	2,139,221 lbs:	B.Fat	32.43 cen
Ice Cream manufacturers	109,264	"	36.83
Borden Co: (for domestic evap.milk)	260,767	"	30.03
Evaporated milk, domestic	514,675	"	50.44
Evaporated milk, export	373,099	"	23.43
Butter, domestic	2,119,899	"	17.17
Milk Powder (70% export)	1,745,749 pounds		27.43 per 100 lbs.skim
Casein, domestic	83,959	"	17.11 do.
Cheese, domestic	163,526	"	18.65

During the period 1917 - 1929 this organization was abl to reduce the spread allowed for fluid distribution fr 29¢ to 20¢ per gallon, and raised the value of the flui milk market to the producer approximately 23¢ per lb. B. Fat without raising the price to the consumer.

In addition it raised the value of sweet cream for manufacturing purposes (Ice cream) from butter level to nearer level of fresh milk. It has also proved that manufacturers of evaporated milk can afford to pay the producer far higher than butter price for the milk they require.

Enclosures:- By-laws of the Association

Financial statements 1930, 1931, 1932."

THE CHAIRMAN: This morning we are prepared to proceed with the hearing of various representatives. A list of names has been handed in to us, and it is only fair to say that while we have a full day available I must ask those making their representations to confine themselves as far as possible to a brief statement. I understand monopolies are not appreciated in the West, and I feel sure that no one would wish to monopolize our time. On our list the first name is that of Mr. McGeer, and we shall be very glad if he will address us.

Mr. McGeer, first of all might we have your qualifications? I think, like myself, you belong to the non-productive profession of the law and you a are one of His Majesty's Counsel?

MR. G. G. McGEER (Representing the Vancouver, New Westminster and District Trades and Labour Council, and The League of Canadian Maples): I am.

THE CHAIRMAN: Then you have had, I understand, professional experience with relation to railway rates, but of late years you have been making a special study of economics from the point of view of the labour interests in this province?

MR. McGEER: No, my lord, I would say generally.

THE CHAIRMAN: Have I underestimated your qualifications?

MR. McGEER: No, I do not think so. I do not think I have made a study of money or political economy with any view to labour. It has been with a view to the banker as much as to labour.

THE CHAIRMAN: I accept that. And you are able to

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give us a representative viewpoint of a considerable section of the community?

MR. McGEER: I believe so.

THE CHAIRMAN: We shall have great pleasure in hearing you, Mr. McGeer.

MR. McGEER: May I say, my lord, and gentlemen of the Commission, in opening, that I join with those who have extended to you a wholesome expression of our hospitality, and I think I probably can do so more with regard to yourself because I believe that the Macmillan Committee's Report will be recognized by future historians as an epochal monument in the records that mark the ordered progress of the evolution of enlightenment. I think probably your Committee recognize that when in your opening remarks you say:-

> "The feeling is growing that our former easy going ways will no longer ensure our prosperity in a crowded and increasingly competitive world. We are indeed at the parting of the ways and our futur depends on whether we choose the right way."

We are at the parting of the ways and if we fail to choose the right way it is impossible to imagine anything but the disaster of our own civilization, just as the fall of former civilizations.

I think I can concur with Sir Josiah Stamp when he said in the "Economic Journal" of September 1931:-

> "The report is easily the best up-to-date text book on the financial situation. It may be said that to the patient, ordinary reader there is more hope of intelligible exposition than can be found anywhere else."

I appreciate that at the time the Macmillan Report was written there were problems of practical difficulty that your Committee had to face. Many of those practical difficulties, I believe, have since been removed. For instance, I quote from page 240 of the Macmillan Committee's Report which is addendum reservation by Sir Thomas Allen and Mr. Bevin, in which they point out:-

> "We also desire to point out that the Committee decided to examine monetary policy only on the basis of the gold standard and, therefore, no alternative to the gold standard was examined or discussed;"

Certainly this Committee could not proceed to investigate the monetary system of Canada upon any such basis as that. Since 1931 the gold standard as a monetary system, both from a domestic point of view and an international point of view, I take it, has fallen completely into disfavour among statesmen and is even now being questioned by the predatory monopoly of banking in the realm of finance.

Now, my lord, you mentioned my experience in transportation. It was because of that experience that I took up the study of economy. If your lordship has had any definite experience in the same way that I have had, you will agree with me that transportation is what might be called an economic stream in the life of the nation which facilitates the exchange of goods and people among localities, something which is essential to the progress and to the maintenance of our civilization. Due very largely to the ingenuity and capability of our engineers that great a chievement in the progress of civilization

[illegible]

has been made. In much the same way our economic life is dependent upon the circulation of our medium of exchange. The circulation of money as purchasing power or the medium of exchange is, as Mr. Hoover, the ex-President of the United States said, the economic blood-stream of the nation. It provides the means of people exchanging goods and services no matter whether they li in the same or different localities.

In the study of these problems I quite agree that there are many phases both as to generalities and detail upon which intelligent men and honest me can disagree; but I think if we place the points of vie in two broad categories we find it possible to reconcile divergent views directed to different ends with ~~very~~ very little difficulty. In both transportation and finance there are those two points of view: there are a group of men who believe that they should be managed by men who are inspired by the desire to accumulate, throug their successful operation, private gain. In other words, while they are essential economic blood-streams c the nation, men believe that they can be more successful and effectively managed in the interests of the nation if they are in the custody of those who are inspired and induced by the desire of profit through effective servic

That point of view is open to this particular criticism: there are those who are actuated b the desire to serve for the profit that they are likely make. On the other hand there are men like myself who believe that these economic blood streams of the nation should be managed as part of the national well-being;

that they should be managed by men who are responsible to nations and to people and who are absolutely free from the seductive temptation of private gain; that our transportation system and that our banking system should be at the service of the State and the people providing the means of creating a greater abundance of wealth and providing the means of facilitating the distribution of that wealth, and it is from that point of view that I am directing the remarks that I have to make to you, sir, in the main.

May I say at the outset that there are a great many problems in the present financial situation that are peculiar to the West; there is a difference in the rates of interest charged in the West and in the East; there are the problems of the authority of bank managers in the West; there is the problem of the general interest of bank headquarters resident in Toronto and Montreal, in parts of the Dominion so far removed from the actual association with headquarter's power.

It is, I think, my lord, one of the most serious defects in our banking system in the West, that our headquarters' organization is 3,000 miles away from the centre of population in the City of Vancouver. That is not a serious difficulty. I believe that much of the criticism of our banking system would be relieved if that 3,000 miles of distance could be removed so that the officers of the banks in the West could deal through a headquarter's organization in the West.

Now, there is one other thing that I

wish to address my remarks to, and that is particularly to the British members of the Commission. The economy of Canada is not the same as the economy of Great Britain. A banking system that might serve the best interests of Great Britain might not of necessity serve the best interests of the people of the Dominion of Canada. I say that for this reason: Great Britain is an island possessing extremely limited natural resources but possessing an abundance of human courage, ability, skill and ingenuity. To sell that skill and that ability, that ingenuity, is the primary purpose of the British people by maintaining a gold standard system under which you could lend credits abroad payable in Great Britain in gold; you were able to maintain until the gold standard collapsed a buying power in foreign lands which permitted you to attain an infinitely higher degree of standard of living than you would otherwise. . We in Canada are in exactly the opposite position. We have an abundance of natural resour We can produce from our agricultural lands, our forests, our mines and our fisheries with comparative ease the amou that is required to sustain ourselves. The huge surplus that we can also produce with a very small utilization of our availa_ble energy must be sold in foreign markets. And I do wish to impress upon the British members of the Commission that the interests of Great Britain should not be paramount in an inquiry that is directed to the monetar problems of the Dominion of Canada.

Now, my lord, I do not wish to say that w in Canada - or that I - have the least desire to call upon Great Britain to make the least sacrifice in connection

with the well-being of this nation, but I have given to you a pamphlet called "Economic Credit"; I believe that we should put our own house in order in Canada and devise the means of creating our own prosperity, and if we can do that I do believe that the other nations of the British Empire who are similarily associated with us can do the same thing, and if we, as overseas dominions, can accomplish that alone, in establishing an economic union in which we will supply the raw materials and all that is necessary towards that end, it will allow or permit the maintaining of Great Britain on a higher standard of living than she has ever enjoyed before. And I believe that in the future - and we must look to the future, not of to-morrow or next week but we must look to the position of the British Empire a thousand years from now - if we build our economic foundation as I am proposing it, it will enable us to carry on the progress of civilization into the next thousand years.

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When I say that, I believe that in meeting the competition of such countries as the United States and Russia that that economic union of the British Empire is essential. May I say this?

THE CHAIRMAN: May I just give you a moment to rest? I think your point is an exceedingly important one. We have tried as far as we can, and we hope we have succeeded, speaking for myself and Sir Charles Addis, to disabuse our minds entirely of the idea that an institution because it has done well in one economic state would do equally well in a totally different state. We are endeavouring to study the position from the Canadian point of view, and you have very clearly put the economic distinction between the two. I appreciate that fully, and I appreciate this also, that you cannot transplant a plant which has grown up in one soil to another soil in the hope that it will inevitably flourish in the new soil. You have to study the new soil to see if the plant can grow there. That is the purpose of our inquiry, to see if the soil here would sustain any institutions which it is thought might be useful to you. The question is whether any of these institutions are of value to you. You may take it that we have that very fully in mind. We have not come here with any prepossessions of superior excellency of the institutions of Great Britain over the institutions of Canada,

MR. McGEER: I am not suggesting that, but the success of the British system as it worked up to the last century made Great Britain dominate economically

the whole world, and the United States by trying to apply the English central bank system through its Federal Reserve system in the United States came rather a sad cropper.

THE CHAIRMAN: It was not a very good copy.

MR. McGEER: It was a copy in principle but there was not that wisdom and sagacity in the administrators of inflated credit that Great Britain possessed, but it was the English banking system applied so far as it was possible to apply it to a country like the United States. As you know, automobiles and all machines and economic institutions depend very largely for their success upon the ability and the intelligence of the operator.

THE CHAIRMAN: Hear, hear.

MR. McGEER: And our friends in the United States --

THE CHAIRMAN: We must not be discourteous to our neighbours.

MR. McGEER: May I say that in my work before the Board of Railway Commissioners somewhat similar things develop as they do in this study. I find no problem in transportation which takes one into the realm of abstract thinking or out of the realm of simple arithmetic, and I find no problem in sound economics which takes one out of the realm of simple arithmetic and plain and simple reasoning. I think I can agree with Sir Simon Newcombe after studying something like two hundred and fifty books on the subject, that there is not a sound principle in economics that cannot be under-

stood by a child of twelve.

My lord, what I do find is this, a great number of problems is correlated that it is extremely difficult to take all these authorities and picture them in your mind in a correlated position, and for that reason in my practice before the Board of Railway Commissioners I adopted the plan of drafting my argument in the form of charts or pictures, and I have attempted to do the same thing in connection with this inquiry, and if I may be permitted to do so I would like to proceed along that line.

THE CHAIRMAN: Is it a diagrammatic presentation?

MR. McGeer: Yes, my lord. Coming to our own position in Canada, I take it from your remarks in the Macmillan report that you are interested in public opinion. In that report I find this:

> Indeed, if our recommendations are to commend themselves to the public to whom they are addressed, they must be preceded by an intelligent appreciation of the problems to be solved.

I do not suppose that that has changed. Then dealing with the cause of unemployment the Macmillan Commission reported:

> We think that the recent increase in unemployment in every part of the world, accompanied by a decline in production, can in the main be attributed to the fall in the level of prices, unaccompanied by a proportionate reduction of money costs, however brought about.

The significance of the effect of changes in the price level was then dealt with in this way:

> A study of history would, we believe, confirm the opinion that it is in the changes in the level of prices, and in the consequential alteration in the position of debtors and creditors, entrepreneurs and workers, peasants and the tax gatherer, that the main secret of social trouble is found .... The problems thus raised transcend in importance any others of our time and generation.

Speaking as a representative of labour I believe that the difficulties that have existed between capital and labour are largely due to a vain endeavour to have a monopoly of capital or a monopoly of labour, to divide something among them that did not exist. If there had been enough to go round I believe that much of the strife between capital and labour, which is now, thank God, abating, and much of the strife which has arisen internationally would never have existed. Keeping these observations in mind, my lord, when we come to the cause of the depression your Commission in their report used this language:

> The fall in the price level (meaning the collapse of prosperity) is the outcome of interaction between monetary and non-monetary factors. The recent world wide fall of prices is best described as a monetary phenomenon which has occurred as

> a result of the monetary system failing to solve successfully a problem of unprecedented difficulty and complexity set it by a conjunction of highly intractable non-monetary phenomena.

If that was intended to elucidate I am afraid that it only resulted in obfuscating, and if you use any language such as that on our Canadian people it might have the same disastrous effect as in Great Britain where it drove Ramsay MacDonald out of the Labour party into the Conservative party, and what it might do to Mr. King and Mr. Bennett I do not know. The effects on the Canadian mind might be disastrous and out of all proportion if any language such as that was applied to our conditions and it might cause our whole economic structure to collapse.

THE CHAIRMAN: This is most salutary for me.

MR. McGEER: I know because I think I know who wrote that.

Let me contrast that with the plain statement of a practical economist employed as an official of the Royal Bank of Canada. In February of 1932 the Royal Bank issued its views on the cause of the present depression to its clientele in its official bulletin. It said:

> The present depression is usually explained in terms of extravagance, over-production, excessive tariff barriers, etc. In varying degrees these, as well as other contributing factors, produced situations

> which were essentially unsound; but speaking generally, the controlling influence has been the mismanagement of money and credit. The average price level is determined by the relation of goods and services rendered to the volume of the money supply, and the disastrous fall in the general price level would not have occurred had the supply of money been properly regulated.

This conclusion of the Royal Bank of Canada is illuminated by the summary of the Macmillan Committee's report presented by Reginald McKenna, John Maynard Keynes and five others who were members of that committee, as follows:

> The best hope of a remedy lies in the monetary policy designed:
>
> (1) To increase the volume of purchasing power.
>
> (2) To increase the ease of borrowing if necessary by guarantees.
>
> (3) To diminish the rate of interest, long term as well as short term.
>
> (4) To stimulate in every possible way the spirit of enterprise and the volume of investment.

In the main report this conclusion is offered:

> As a result of the shortage of acceptable and willing borrowers for the purpose of new enterprise, due to the general unprofit-

ableness of industry, the vicious circle is complete. The decline of new enterprise has re-acted adversely on profits and prices and the low level of profits and prices stands in the way of new enterprise. It is for this reason that some of us think that in the domestic field it may be necessary to invoke governmental enterprise to break the vicious circle.

Once we come to the abandonment of the gold standard the main report of the Macmillan Committee goes by the board.

Reducing that proposition to simple language, the Macmillan Committee informs us that investors will not invest unless they can make a profit; that at the present time they cannot make a profit. Therefore, the government, uninterested in money profit, must come to the rescue of humanity by promoting public enterprise of a wage distributing character. In no other way can the consumers' purchasing power stream be re-energized and put in circulation.

We are now confronted, my lord, with the problem of putting people to work, not merely as a matter of earning wages, but we must put them to work to prevent indolence destroying the character of our people. Probably the most disastrous economic wastage that we are suffering in this depression is through our incapacity to take men out of the soul and character destroying power of indolence. How can governments

bankrupt under an appalling load of interest bearing debt, borrow more credit for the purposes above mentioned? They cannot do that because the taxpayers' ability to pay is already exhausted. Governments, therefore, must resort to their power to put national credit in circulation free from the charges of interest that our private monetary system now exacts.

"That the conventions of the international gold standard are so fundamentally opposed to modern social and economic conditions that no government could, even if it wished, give effect to them, must be evident to anyone who is prepared to recognize that he is living in the twentieth and not in the nineteenth century.

"The international gold standard system is an anachronism in the twentieth century; it can never again function, but as its high priests still hold sway over the nations and regard it as sacriligious even to discuss alternative systems, there appears nothing for it but to await the further inevitable collapse of the structure built upon it.

"The problems of tariffs, exchange restrictions and quotas cannot be solved until the monetary system has been reformed because the root cause of the trouble is a vicious monetary system."

"These statements would not come with good grace from one who graduated from an iron foundry into the parasitic profession of the law but when they appear, as they do, as the official statement of the greatest trade and industrial organization of the British Empire, the London Chamber of Commerce, in the official journal of that great body

in the issue of July, 1933, they cannot be ignored.

But the quotation I have just given you appeared over the signature of the Secretary of the London Chamber of Commerce in the July, 1933, issue of that distinguished body's official journal.

I said I would like to give you some pictures of Canadian conditions. I have no doubt your lordship is conversant with the London Chamber of Commerce, journal. It is an excellent publication, and in what it has to say in reference to the Macmillan report I find more of real substance than in all the other publications. I may say that I have made a complete study of the Macmillan report and kept it up to date, my lord.

THE CHAIRMAN: I am very much honoured, Mr. McGeer.

MR. McGEER: I quite agree with Sir Josiah Stamp in his summary. Carl Snyder of the Federal Reserve System presented two addresses to the American Academy of Political Science, one of which was published in 1931 and the other in 1930. I do not know whether your lordship has seen them.

THE CHAIRMAN: No, I have not seen them. I should be glad to.

MR. McGEER: The copies I have here are just my library copies. I am sure that Mr. Plumptre has them. While not agreeing with the conclusions of Mr. Snyder in the main I think you will find his studies there a good supplement to the Macmillan report.

THE CHAIRMAN: Are they a critical examination of the report?

MR. McGEER: They are addresses on "New Measures of the Relations of Credit and Trade,"Over-production and the Business Cycle," but they do in a weird way and particularly in an American way add a chapter to your own report which I thought amplified and justified many of the measures that I am going to deal with. I understand that the Macmillan Commission in their main report hoped that Great Britain would not be forced off the gold standard.

THE CHAIRMAN: It was rather indicated to us when we started that we should proceed on that assumption. It would have been dangerous to have proceeded at that time on any other assumption because it might have had the effect of sending countries off the gold standard. It was thought that in the circumstances it was undesirable that the Commission should pronounce on that question at that moment.

MR. McGEER: There was nobody on that commission who was willing to take the responsibility of recommending that England should go off the gold standard.

THE CHAIRMAN: That is quite right.

MR. McGEER: Whether they should have gone off is another question. We have worshipped gold for so long and have become so stiff-necked that we cannot turn away to look at anything else but gold, but thank God we are emancipated from the barbarous relic of the gold standard at last.

Let me put before the Commission what probably it will not hurt some of the Canadian bankers to know to-day, two extremes of our Canadian situation. Here is one:

"I am a Canadian mother."

This is in Canada, my lord, with an abundance of agricultural products:

"I am a Canadian mother.

"The most noble calling in the world is mine.

"I am a Canadian mother and my country honours me.

"At banquets I am reverently toasted by Canada's noble sons.

"When depression comes, my country rushes to the rescue. But when the S.O.S. goes out do Canadians cry "Mothers and babies first"?

"I am provided with groceries. No milk."

This in Canada, a family of seven children and no milk, and we call ourselves a Christian civilization:

" We are allowed no butter at all, no meat but fat pork or beans. I copy from our bill: 1½ bags flour, 3 pounds shortening, 1 pound tea, 10 pounds sugar, 1 gallon mollases, 10 pounds beans, 4 pounds pork, 6 pounds broken codfish, 10 pounds rolled oats, 2 boxes yeast cakes. This is the allowance for the family of seven for one month."

HON. MR. BROWNLEE: Where are your figures taken from, Mr. McGeer?

MR. McGEER: From a statement made by Mr. Angus MacInnis in the Canadian House of Commons.

HON. MR. BROWNLEE: Are you quoting from a

relief schedule?

MR. McGEER: This woman is giving her own experience and it was presented in the House of Commons by Mr. Angus MacInnis. You can check it if it is not correct.

HON. MR. BROWNLEE: I was curious to know whether it was a local schedule you were quoting from.

MR. McGEER: If she said she was a Canadian mother with seven children, I would believe her myself. But let us pass from a weary mother and seven hungry children to where broadpaunchedcomplacency is beginning to show concern. Sir Robert Borden in his presidential address at the annual meeting of the shareholders of Barclay's Bank (Canada) recently said:

> "Expenditure and consequent taxation have increased altogether out of proportion to the increase of population and of wealth."

In 1931, according to the figures recently compiled by the National Committee in Public Finance working under the auspices of the Canadian Chamber of Commerce, the total amount of income assessed by the Dominion against individuals for purposes of the income tax was $815,714,684, and this was the greatest amount assessed in any year. Exemptions under the Act were $3,000 for married persons and $1,500 for single persons. In 1931 the ordinary expenditure of the governments of the country, federal, provincial and municipal, totalled $920,000,000. In other words, if the governments had taken every dollar of income in excess of the moderate exemptions mentioned above, they

would still be $100,000,000 short of enoughmoney to pay their bills.

The forgotten man, my lord, has developed a twin brother in Canada in the form of the forgotten taxpayer and we have to look after the taxpayers as well as the unemployed.

In "The Courses and Phases of the World Economic Depression", published by the League of Nations in 1931, Canada's debtor position is emphasized by this statement:

> When the German reparation problem had been settled with the Dawes plan in 1924 a new period of further expansion opened. The Dawes loan was the first of a series of large bond issues whereby Germany absorbed more foreign capital than any other country during the next four years, and from being -- apart from her reparation liabilities -- a creditor country, became the most heavily indebted country in the world after Canada.

I do not know, my lord, whether that publication has come to your notice. It is another splendid thing issued under the direction of Mr. Loveday as a supplement to his book "Britain and World Trade," and it might be a very, very valuable thing for the members of your Commission to read. Now that Germany has repudiated her war debts and most of her bonded indebtedness we no doubt, my lord, hold the unique distinction of being in bondage to foreign lands to a greater extent

than any other country in the world, and I propose to show, my lord, that that is the result of the extreme difficulties in our existing banking system. We copied the British banking system but we only adopted the merchant banking end of it, and your lordship knows perfectly well that the whole scheme of British finance is founded upon short selling. Short selling did not originate in the stock market or in the grain pit but among the credit dealers. What you do is this. You loan credits abroad payable in gold, and if ever the time comes as it did in England or in Austria when its credit collapsed or in Russia which repudiated her debt, hedging won't save you because your hedge breaks down. What we have done in Canada is this. We have blindly gone along borrowing credit in foreign countries payable in gold abroad, and we have never hedged to protect ourselves. We have set up no machinery to afford protection for our nation and people against the disastrous consequences that must ensue if you insist on borrowing credits abroad that are payable in gold. While we are still borrowing credits abroad we still fail to provide the machinery to supply municipal and provincial authorities and private enterprise with local credit. A very small proportion of our national indebtedness is going abroad, but the bulk of our provincial and municipal indebtedness is going abroad, and it is because of that condition that we are now hopelessly bankrupt in the province of British Columbia. When I say that I do not want you to think that I am speaking as a man who has not got a proper

sense of restraint in these matters. I do appreciate the delicacy of the situation, but I think the time has come when statesmen, bankers, business men, taxpayers, consumers and producers must get together in a spirit of "come, let us reason together," and they must recognize without further delay the appalling tragedy that is confronting them if they do not move to rectify existing conditions.

Our total indebtedness in this province, if we take our proportion of Dominion and provincial indebtedness is $498,000,000 or $3,600 per family of five.

THE CHAIRMAN: That is over $700 per head.

MR. McGEER: About $720 per head. In 1929 the wage distribution in this province was $190,000,000; in 1931, $140,000,000, and in 1932, less than $100,000,000 That is very serious, my lord, and while there may be temporary indications of some betterment there is no indication of any permanent recovery at all.

The bankruptcy of the people of western Canada has not been due to a want of industry as the following figures on the production of wealth indicate. I am giving the figures for the ten year period from1922 to 1931 inclusive. I could not get the figures up to date but for our general purpose these figures will suffice.

PRIMARY PRODUCTION OF WEALTH IN BRITISH COLUMBIA

Ten year period 1922 to 1931 inclusive.

Lumber and its products	$756,000,000
Minerals	$535,000,000
Fisheries and fish products	$214,000,000
Agriculture	$601,000,000
	$2,106,000,000

Now I come to the rich granary of the British Empire. In the three prairie provinces for the same period the value of the production of wealth in grain alone was $4,506,000,000. I think it is safe to say that other agricultural products and natural resources such as coal, gas and oil, lumber and fisheries would increase that figure to $6,000,000,000, so that the total of natural resource wealth produced in the four western provinces during the last ten years is more than $8,000,000,000. I might point out that there is considerable lumbering in certain of the prairies, and their interior lakes produce a very excellent grade of fish. They are industries that could be developed to a very much greater extent than they are now. This population of two and one quarter millions in western Canada was able to produce from the abundance which God has provided wealth to the value of $8,000,000,000, and yet we are bankrupt. What is the cause of it? We should not be bankrupt, my lord, and we would not have been bankrupt but for this load of interest bearing debt. We would then have been able to finance our way with such a tremendous surplus. We cannot continue our wealth production and meet world competition unless we are prepared to finance the cost of production in some more effective way than we have at present. How are we going to meet the competition of Russia? If Russia can use the national credit for the development of her natural resources, no matter how badly she is doing it and no matter how strange and weird certain ideas she has may be in other people's eyes, how can we compete in selling our grain against

Russia's, when Russia uses the national credit without cost to the farmer and Russian products are put on the market under a system of managed credit. On the other hand our producers are handicapped by the disastrous charges made by a banking system that originated in the ox cart days, and that is still imposed upon us.

We are up against more than the problem of reforming our banking system. We are up against saving the granary of the British Empire as a productive unit in this world, because, my lord, there can be produced all the grain that the world needs in other parts of the world without using any of Canada's grain at all. We have to sell our grain in world markets at world market prices and we can never get away from that problem.

Our future depends on whether we are ready and willing to assume with courage and with fortitude the problem of maintaining order in an age of easily realizable abundance. We have to get away from the idea that the economy of an age of necessity can ever serve an age of easily realizable abundance. You can produce more than you can consume no matter how high you raise your standard of living. If you allow all the boot and shoe factories to work you can produce more shoes than the people in the whole world can use even if they take one hundred pairs each. The same is true of United States and the Macmillan Committee said with great clearness that the day is coming when regulation and control must take the place of what was commonly known as the age of laissez faire. We have

learned that we cannot depend upon the credit dealer's gold standard management of money and credit; that cathedrals of usury can never become havens of individual safety or institutions of national stability. It is upon this question of usury that we have made a retrograde movement. Usury was condemned by the writers of the Old Testament and of the New. It has been condemned by every altruistic thinker and philosopher whoever endeavoured to guide humanity, and yet we have tried to build a civilization on a foundation of usury. We have tried to advance by defying the divine teaching of God, and we are finding out that we cannot progress by breaking the laws of humanity, and so long as we persist in worshipping mammon and defying divine statutes there is no use in praying to God for relief. It is all very well for Mr. Bennett to say, "Nothing but the grace of God can save us from this depression," but if that be true it is time that we looked to the teaching of God and began to take our guidance from laws that were laid down thousands of years ago and which time has vindicated. If we do that we will abolish usury.

We cannot tax ourselves into prosperity or elevate ourselves to higher standards of living by cancelling debts or reducing either the volume or the level of wages and business incomes.

No matter how much one is intrigued into the realm of metaphysics by the cabalistic jargon of the orthodox economist or confused by the bewildering contradictions of the monetary doctrinaire, these conslusions are inescapable:

1. When wage distributing enterprise maintains the masses in gainful employment, whether it be in time of war or peace, prosperity exists.

My lord, you can put men to work with national credit to kill each other. Why not put them to work with national credit to establish the kingdom of God upon earth and bring peace and plenty for men of good-will? If you can use the national credit to destroy men in a prosperity period under the private money system of interest why cannot you use the national credit under a national banking system to achieve the conquest of poverty?

2. When wage distributing activity ceases and the masses become unemployed, no matter how much money or credit exists, prosperity ceases, prices fall, incomes decline, taxes increase, starvation appears, crime and hoodlumism become rampant and revolution threatens.

Now, my lord, what is the value of our money? What is the value of our wealth?

3. In an advanced civilization where realizable supply can be maintained in excess of possible consumption, the value of wealth, both real and representative, is in large measure dependent upon the exercise by government of its power to maintain trade by the judicious regulation of the circulation of buying power, the production of wealth and international trade.

A government that fails to assume and to assert intelligently its responsibility in regard to these fundamentals cannot fulfil the greatest of its obligations, that of obtaining the normal progress of the political economy of the nation. As a result of that

you started in 1914 to spend the money and credit of the nation in an international war, and your distribution of wages through employment rose until 1926 when the collapse came in Great Britain and everything fell down. Your consumer's purchasing power, aided by speculation, continued until 1929 and then collapsed precipitately. Your technical knowledge desiring to meet declining costs increased your capacity to produce and although your taxes continued to climb wages continued at the same rate, and because of that there was no appreciable increase in the taxation. When you drop the value of earnings and the value of taxable wealth your taxation increases proportionately. We have heard a lot about the collapse of civilization from MacNeill and others and it was the collapse along those lines that they referred to. What happened? When you put from thirty to forty million industrialists out of work, what is the result? In your Committee's report, my lord, you fixed the earnings of an individual at $1,000 a year or 200 pounds, and with thirty or forty million out of work that means a huge amount per year. If you give wages a velocity in 1920 they will circulate at least twenty times before resulting in any rise in profits or taxation. There, my lord, you see what you have got. You have taken out of the circulation of business something like eighty billion dollars a year and you have in this unemployment of men the real cause of the trouble.

In 1844, when you speak of the banking system, the bankers proposed to do away with money and the gold

and they proposed to set up a banking system based upon the use of credits in bankers' books which were to be transferred by cheque, and which were not to be retired by either gold or money. There we move away from the money system into the credit system and the money wealth of the people becomes a pure fiction of money and interest in books of account, which meant that the bankers were making promises to pay money that they could not meet on demand. My lord, I do not find in my studies as a lawyer that there is any justification for that. I think that when a banker represents to a man that he has expended all his money wealth, and he has not done so, that he has perpetrated a fraud. I think that when a banker says to either a government or individual, "I am lending you money," when he is not doing any such thing but is simply lending bookkeeping entries and charging interest on them as though they were money, I say that he is obtaining that interest under false pretences.

(Page 500 follows)

I see no justification for that practice. If another institution dared to do what the bankers are doing, they could not resist successfully a prosecution for obtaining money under false pretences, and a charge of conspiracy to defraud by misrepresentation all the way down the line.

Now, let us see how that system of substituting money for credit has worked in Canada. These figures are taken out of the Canadian Year Book, and they are averaged to represent what has been taking place over the last ten years. They are not accurate figures, my lord, but you will find if you examine the Year Book statistics, that they prevent the picture honestly and fairly, which I am presenting to you.

We have one hundred millions of dollars in gold; we have two hundred millions of dollars in legal tender, notes and subsidiary coin. The bankers owe their depositors one billion eight hundred millions of dollars, payable in money, convertible into gold. They have outstanding, in addition to that which functions as part of the till money in circulating media, promises in the form of bankers' notes of roughly about one hundred and sixty millions of dollars. We are the only country in the world which permits private bankers to use the Printing Press to manufacture money with which they can buy government bonds chargeable upon the taxpayers' wealth.

Now, what is that? If the bankers owe their cred itors, and have issued bankers promises to pay in the form of bank notes, two thousand million dollars; thus they have inflated on gold by one billion nine hundre million dollars, and they also have inflated on money one billion eight hundred million dollars. That is the extent to which our Canadian banks are operating the "short-selling racket."

How does that go farther? It goes then into interest-bearing debts. I do not blame our bankers. Here was a system adopted in Great Britain; it was worked out in 1844; peop le are very jealous and careful of their money; they looked upon the bankers as careful guardians of their money; and they looked upon the interest charge as a necessary check, for fear the volume of purchasing power would flood itself into destruction.

While I am speaking now, my lord, in definite and positive terms, I have no fault to find with the practices which have grown up in that long period of time but the time has now come in the Provincial, National and Empire crisis, when we must deal plainly and fairly and frankly with the actual situation as we find it.

This is not a place where the surgeon can permit the gentlest and kindest of bed-side manners to prevail; we are at a point where a cold, deliberate plan of courageous action, both in the diagnosis of our troubles and in the providing of the remedy, is necessary. So my lord, when I say I speak plainly and frankly,

as a counsel, I feel I am doing nothing more than a duty which you, as a member of the British Bar, would expect of me.

Let us see where that has gone to. What are our interest-bearing debts in Canada? We have inflated bank credit and pyramided bank credit into - when I made this chart I said - one billion eight hundred million dollars. I successfully aroused the interest in the Dominion of Canada for a public inquiry to be started, and they increased my figures to nine billion five hundred million dollars. My lord, get a look at that picture. Here are Canadian banks carrying obligations of nine and one-half billions of dollars payable out of one hundred millions of dollars in money and two hundred millions of dollars in gold. That explains the reason why when we go to pay our mortgages off on our farms or our homes, we cannot get the money, because the money is not there, and never was there.

Now, what can we do business with? I understand Sir Thomas White said that somebody who had mentioned money had overlooked an instrument, namely, the cheque. I have not overlooked it, Sir Thomas.

SIR THOMAS WHITE: I did not think you would.

MR. McGEER: I think that the cheque, of all the technological achievements which have been developed in the last five hundred years, is one of the greatest benefits to mankind, surpassing both steam and electricity. I think we owe to our bankers more

than anything else for the great service they have contributed to humanity in working out the technique of substituting credit, transferred by cheques, for money. It has not been an easy thing to do, but it has been done, and that technique has been perfected.

In 1929, in Canada, we did forty-six million dollars of monetary transactions by cheque. In the United States they did nine hundred and eighty-three millions of dollars of business by cheque. If it were not for the fact that it is more convenient to put your hand in your pocket and take out token currency for current transactions, you would write cheques for everything, because it is the most convenient, the most expeditious and the most efficacious way of completing a monetary transaction.

Nobody wants gold; nobody wants silver; nobody wants money of intrinsic value, or money in any form other than in those minor transactions which are out of pocket expenses.

Now, my lord, in this country where there was no milk supplied on the relief lists, we have developed wealth to the value of thirty thousand millions of dollars. Our banker friends will tell us there is danger of inflating national currency in a country where there is only two hundred millions of dollars in money, and thirty thousand millions of dollars in real wealth. But when you examine what the banker does in the creation of his own purchasing power by using a printing press to issue money which is not secured

[illegible]

by gold under our Act, my lord, and not convertible into gold as a practical proposition even in the limited amount which is spent, they adopt inflation in the issue of bank credit; by resorting to inflation the bankers' action contradicts the bankers economic theory.

Now, my lord, I want to submit in all fairness that what we have been pleased to call a "sound money system" is not a sound money system, but that it is a thoroughly unsound credit "racket", and, my lord, the actual conditions which now exist to-day are the inevitable results of the operation of that system. We would not have escaped under the existing banking system, the depression which came upon us.

Let me give you an illustration to prove how that works out. Recently our people in Vancouver built the Burrard Street Bridge at a cost of two million five hundred thousand dollars. It was financed with credit borrowed on forty-year bonds at five per cent., making the total cost of that bridge seven million five hundred thousand dollars. My lord, here is the way the transaction works out: Building the bridge, paying for the materials, and distributing wages created real wealth to the value of two million five hundred thousand dollars, and put two million five hundred thousand dollars into circulation, so that if you wanted to tax that bridge, when there was two million five hundred thousand dollars available to draw out of the consumers' purchasing

powers stream or a way from the taxpayers to pay for it, but when you charge five per cent. for forty years on interest-bearing bonds you do not put anything in to circulation, my lord. What is the result? You are trying to operate a system under which a credit dealer is putting less into the consumers' purchasing power stream than he is taking out of it. In the case of the forty year bonds he puts in one and takes out three, and, my lord, you do not need to be a lawyer or an economist to know that if you do that with your purchasing power stream of the consumers, in the end you must dry it up. When you realise that we have tried to finance all the governmental enterprises and a very large proportion of private enterprises on the basis of paying for credit capital more than credit capital was paying in, you cannot escape your present calamity.

And, my Lord, you cannot get out of it until you recognize that problem. Analogies are difficult to get, but I think an analogy which is perfect in the matter of circulating credit = purchasing power in a social system, is that of an irrigation system.

A man must, if he is going to set up an irrigation system, get control and assurance of the continuity of his supply of water, and he must build his means of distribution and establish the means of circulating and control.

Now, my lord, there is one weakness in the analogy Water flows away or is absorbed by evaporation,

but credit has the dangerous faculty of accumulating and piling up, so that you must in addition to providing for your supply and its continuity and distribution, also provide a means of keeping your circulation inflowing, by carrying your credit back to the source of its origin.

What we have tried to do is this; we have set up a system already to nationalize money, and then nullified it by allowing a monology to substitute credit for money. We have allowed the banker and the credit dealer and their associate groups to manufacture the credit stream solely for the interest of the propagating of interest-bearing debts. We have piled up a load of interest-bearing debts which we cannot escape. There are two observations which I think brings this out very clearly. The first is an extract of a report made by Alexander Hamilton, in the United States in 1790, forty years before the passing of the English Bank Act, This is recognized as a classic and is quoted from very frequently:

> "The stamping of paper is an operation so much easier than the laying of taxes, that a government in the practice of paper emissions would rarely fail in any such emergency to indulge itself too far in the employment of that resource to avoid as much as possible one less auspicious to present popularity.

if it should not even be carried so far as to be rendered an absolute bubble, it would at least be likely to be extended to a degree which would occasion an inflated and artificial state of things incompatible with the regular and prosperous course of the political economy.

The wisdom of the government will be shown in never trusting itself with the use of so seducing and dangerous an expedient as that of emitting paper money by authority of government."

Sir Josiah Stamp in a broadcast from London last year is reported to have said:

The main function of the gold standard is to set an outside limit upon the creation of money and credit, and to put it beyond the caprice of human frailty and political desires."

I quite agree that in the matter of inflation of currency and inflation of purchasing power credit, intelligence and wisdom must be employed, but my lord, we have found out there is no safety in the check of interest-bearing debt; we have found that that power, although it meant bankruptcy, has not been sufficient to prevent men spending to a point of bankruptcy. Some other practice must be found.

By taking the record of the Financial Statistics from 1914 to 1933, proof of the fact that the economic collapse of this civilization was due to the fact that government, industry, and commerce were resting upon an inflated bubble of interest-bearing debt which

had been established by dumping inflated bank credit into the social system of every country under a disasterous charge of interest.

While denouncing the use of national money and non-interest-bearing national credit as the purchasing power of government for the reason that it involves the dangers of inflation, the bankers resort to the practice of issuing inflated bank credit as the purchasing power of bankers and credit dealers which is used to purchase interest-bearing governmental bonds, and to finance all manner of capitalistic enterprise.

The facts of the financial operations of the private money system disclose that the bankers create deposit by loaning bank credit.

This is fully discussed in your report, my lord, at sections 74 and 75, and confirmed by Mr. Carl Snyder in the document to which I have referred, and it was very very definitely emphasized by President Hoover when he was appealing against thehoarding of money, and I think this is one of the most startling statements ever issued by a public man.

In February, 1932 he said:

> I am convinced that citizens hoarding currency or money do not realise its serious effect upon our dountry. It diminishes the credit facilities by many millions. Every dollar hoarded means a destruction of from five to ten dollars of credit.
>
> Credit is the blood stream of our economic life. Restriction or destruction of credit cripples the revival and expansion of agri-

of agriculture, industry and employment. Every dollar returned from hoarding to circulation means putting men to work. It means help to agriculture and to business.

Everyone hoarding currency injures not only his own prospects and those of his family, but is acting contrary to the common good. It is to their own interests that they should return it to circulation, as well as a patriotic service to the country as a whole."

And this goes on to say that every dollar of legal tender money held out of deposit with the bank meant the destruction of ten dollars in credit.

What does he plainly say? He is plainly saying-- and our practice is here - if I walk into a bank and deposit one hundred dollars in legal etender currency, I have one hundred dollars in the bank, but the banker has $900 of the bank's credit purchasing power, with which he can buy interest-bearing bonds, make loans, or use in a ny way that money purchasing power can be used. No wonder we are bankrupt under an interest-bearing debt.

Now, education, by teaching men to read and write and understand the virtue of an accounting system, has made the use of the cheque possible. The cheque has actually emancipated our civilization from the poverty of purchasing power. It is the greatest of all technological achievements of the last 500 years. The banker has appropriated that

great achievement of the school-room to his own use. Instead of using it to advance the creation and distribution of wealth, he has brought disaster through the most devilish of all the forms of the vice of usury, - that of usury on credit.

Our present money system, cash and credit, is ready to accumulate that wealth of others in usury, but has failed to maintain in active circulation the volume of the medium of exchange required to permit the available supply to satisfy existing demands.

Now, my lord, is it not a monstrous situation that a civilization which can harness electricity for the purpose of eliminating the drudgery of human toil, which can span the world with transportation facilities, which can provide themeans of living in leisure, is not intelligent enough to manage the medium of exchange to escape bankruptcy, want, misery, privation, war and revolution which originates from want in the midst of abundance? Men who do not believe in miracles should recognize that the greatest miracle in this age is that we have set up a system wherein a private monopoly is able to starve men, as President Roosevelt says, right in the presence of an abundant supply.

Science has been generous in eliminating the drudgery from human toil. The government, my lord, if we are going to escape the disasters of the future, must be equally generous in developing the consumers' buying power.

If we fail to do that, we will go down as they did in Rome. We can recede into decaying civilization where racketeers and war lords will dominate us, as they are dominating China, and my lord, permit me to say that we are not without some indication that that very condition is threatening the most advanced, materially, of all the peoples of our day.

Now, I want to deal, if I may be permitted to-- and I am not going to apologize for taking time even though some others may feel that I am monopolizing more of your time than I should. I am speaking for the wage-earners, and the wage-earners have not direct representation on this Commission. I am speaking for the wage-earners not only of Canada, but for the wage-earners of this nation and every other nation in the world, and this is a subject which, my lord, you can hear or not, as you see fit, but it is one with which I do not propose to stint myself in time to present to you. I have given gratuitously of my own time and labour for more than fourteen years to a study of it, three years of more intensive study than any undergraduate ever gave during his days in college, and I am acting here, not as a paid counsel, but as a man performing a plain duty to the public, as a plain, unpaid citizen.

THE CHAIRMAN: We are also performing an unpaid duty.

MR. McGEER: That may be true, if your Lordship said so -

THE CHAIRMAN: Certainly. Do you suggest I am receiving any remuneration for this work?

MR. McGEER: I have not the least idea what you are receiving.

SIR THOMAS WHITE: Nor myself.

THE CHAIRMAN: I never heard such a monstrous suggestion -

MR. McGEER: Let us speak plainly. If I have said anything monstrous, I want to know what it is. You said to me you were not paid, and I said I had no idea whether you were paid or not. I have no information as to whether or not you were acting, as Sir Josiah Stamp did, who publicly stated that he was not paid, or whether you were paid your expenses and paid a proper remuneration for your services.

THE CHAIRMAN: Well, we do not need to get excited about it.

MR. McGEER: Yes, but I do not want you to say that I am making monstrous statements now, because I had no such intention in my mind.

THE CHAIRMAN: I may say, for your information, Mr. McGeer, that my out-of-pocket expenses are being paid. Beyond that I am not being paid.

MR. McGEER: In our country, my lord, if a murderer goes in the dock, our statute provides counsel to defend him, but in the creation of this Commission our government ignores the necessity of putting men to work capable of analysing the laws of banking and currency for the protection of both state and public.

It may be that I can be of no assistance to you, but I think the wage-earners of this community think I can, and public opinion is there amongst the wage-earners as it is amongst the bankers. I think it is a monstrous thing that a Commission of this importance should be moving through the Dominion of Canada without representation of the people being appointed to lay the people's views before this Commission. I think it is the greatest blunder that Mr. Bennett has ever made.

Financial operations during the war period have definitely established that we can create and use token currency and credit transferred by cheque as substitutes for money of intrinsic value.

In 1914 our total accumulation of alleged bank deposits was $1,142,000,000. In 1920 this amount was increased to $2,445,000,000. notwithstanding the fact that during four years of that period wealth was being destroyed rather than created, and that there was no substantial increase in the gold reserves of the Dominion.

During the same time the total funded debt rose from less than $500,000,000. to $2,500,000,000. Debts payable in London declined from $362,703,000. to $336,000,000. while debts payable in New York rose from nothing to $185,000,000. The debt payable in Canada rose from less than $100,000,000. to $2,066,000,000. Clearly we financed the war with bookkeeping entries by borrowing bank credit at interest which was issued on the security of war

contracts and national interest bearing bonds. We paid interest not for money but for the nation's credit.

My lord, where were the increases of bank deposits coming from during the period when we were destroying wealth and life? That is not the way you get credit, is it? We did it without increasing our gold reserves. Clearly we financed the war with bookkeeping entries manufactured in bankers' books, where credit issued at no cost to the monetary system was loaned to the government to prosecute the war at a disasterous rate of interest. Here is a startling thing which happened then. We have paid more in interest since the war ended than the war cost, and our debt is greater to-day than it was when the war ended.

All are agreed that there is something inherently wrong and completely out of accord with the ideals of liberalism and Christianity, when one portion of our citizenship is permitted to enslave posterity with interest-bearing national debts, while the bulk of the people are sacrificing, fighting and dying in war for national preservation. All sane-thinking people are equally agreed upon the proposition that there is something fundementally unsound with a monetary system which permits a monopoly to destroy the progress of civilization by the practice of charging interest for the use of the medium of exchange that is required to distribute the abundance of wealth now realizable.

My lord, may I respectfully submit if we want to use the knowledge gained by war-time experience, we have these lessons.

~~we have these lessons.~~

The war has therefore emancipated from poverty induced by money shortage all self-governing people who are willing to use knowledge gained by experience. It has disclosed that statements of account in a managed system and token currency can serve all the functions of a money medium of exchange.

I would like to say that I propound this theory, that when you started to prosecute the war you floated the war with inflated credit. The inevitable consequence of that at the close of the war was a period of uncontrolled prosperity, with the power of capital created through credit machinery loaned out at interest to make a profit, and drying itself up on the basis of making more out of the consumers purchasing power than you put in, and that was bound in the course of time to dry up the circulation of the purchasing power, and to wreck the economic structure. That very thing happened.

Might I take the United States first? It did not cross my mind what you had in mind when you suggested you were not being paid -

THE CHAIRMAN: Let us not start that again.

MR. McGEER: I had no thought of that in mind.

THE CHAIRMAN: It was that I thought you might have been a little more generous about it.

MR. McGEER: I am more than generous to you. I want to speak frankly and plainly and I had no suggestion that any banker could have changed your view.

THE CHAIRMAN: You have been very kind in your

references to my previous enquiry, which was also unremunerated.

MR. McGEER: If you had the same kind of a committee you had in England,--

THE CHAIRMAN: The real difficulty in that matter was that they differed amongst themselves in their opinion.

MR. McGEER: Then there should be nothing but labour men on the commission.

THE CHAIRMAN: I only succeeded in getting a certain measure of agreement - when one of the defects of my report which you have noticed is that as you may have experienced yourself it is much easier to examine into the past than to advise for the future. It is very easy to analyse the past and see the mistakes, but much more difficult to devise remedies for the future, and I found amongst my very distinguished colleagues, that when we came to the question of a practical solution we found a great divergence of opinion, and I was not able to give the practical recommendations which I had hoped to do, and which I have been able to do in some other enquiries, because these opinions held by other people were not easily reconciled, and as you can see a number of them express themselves in independent papers, where they said, "We want to follow out our own ideas," and you will find a considerable diversity amongst the views of those people, and all of them were held honestly and honestly expressed.

MR. McGEER: I am speaking strongly upon some of these alternative features, because time and

experience have led us -

THE CHAIRMAN: There is one place where you can help us, as you understand our difficulties: If you were to consider - supposing for the moment you changed places with me and had to prepare a report here; what practical recommendations would you adopt ? What are the opinions within the compass of practicability you would recommend to this committee to put in this report?

MR. McGEER: My advice right now upon that is the most important thing for this Committee to do is the thing you did in London, to endeavour to direct public opinion. The most valuable part of your action, no matter what your report may be, is in the general enlightenment of the public to compel the recognition of the seriousness of the problems, and there are possibilities of workingthem out, provided one thing - nobody would be foolish enough to suggest that the conquest of physical poverty will solve the entire problem, in any way, but we must learn that we can go a great deal farther, and we must establish some other means in order that prosperity will return; prosperity gained in any other manner probably would be more than disasterous.

THE CHAIRMAN: I think you are right in saying that we can provide the material for constructive opinion, but shall we not have to do more?

MR. McGEER: I think the public here will do that.

THE CHAIRMAN: But would we not have to put into this report -

MR. McGEER: Will you not allow me to come to my summary on that?

THE CHAIRMAN: You will come to that?

MR. McGEER: Oh yes.

Now if I may run over the physical position of the United States;for the purpose of not having any doubt, I secured my statistics from the National City Bank of New York, and I think their statistical department and their economic department, under the vice-Presidency of Mr.George V. Roberts, who was used by the League of Nations gold Commission as the Gold-standard Expert from the United States, is probably one of thebest statistical departments we have to-day in the United States.

In 1914 the gold reserves were one billion dollars, which rose in 1920 to two and one-half billion, and in 1933 to three billion dollars. But their notes in circulation did not show any proportionate increase. They rose from three billion to five billion and fell to four billion in 1929. Now, what did that mean? That the gold standard was not operating in the United States to issue the currency which was possible, but, my lord, that did not mean they could have done otherwise, because their bank deposits which are the real currency in the United States, as they are in Canada, rose from eighteen thousand millions to thirty-seven thousand millions, and then during the boom period from 1920 to 1929, they climbed to fifty-three thousand million.

Now, my lord, when you realise that the great purchasing power of the depositors in the banks of

the United States rose from 1914 to 1929 from eighteen thousand million to fifty-three thousand million, and you have not got very much difficulty in appreciating what was the cause of the boom in the United States which ended in the disasterous hysteria of speculation; it was the uncontrolled inflation of bank credit.

Now, when you come to the next step: Under the influence of the accumulating power of capital, manufactured in the form of credit entries to produce interest and profit, the collapse came in 1926 in Great Britain, and in 1929 in the United States, and the centralization of credit and money wealth in the possession of the credit dealers and the credit loaners, stopped expanding, and then the nations which were over-expanded and anticipated going on indefinitely in the future collapsed. What happened? Bankruptcy came, and the banks deposits fell in the United States from fifty-three thousand millions to forty-one thousand millions, about twenty-six per cent., my lord, and exactly the same thing happened in Canada.

SIR THOMAS WHITE: While you were speaking about the bank system I understood that you included the British and the American system, as well as the Canadian.

MR. McGEER: Broadly speaking, they are the same system.

SIR THOMAS WHITE: You have been using the word "Banking" throughout your indictment against what we might call the orthodox banking system not only in Canada but in other countries as well.

MR. McGEER: The British Central Banking System which was inaugurated by the extension of the bank charters in 1844, - it was at that time that the Bank of England ceased to be a national organization within the conception of Preston and his associates, and became a pure money-changers' institution, as a means of plundering the community. They were a group of extremely able men. They really set up a system whereby Great Britain could get the same results on a gold-standard basis that she got when she sent Drake and Raleigh out on the high seas, and have them come back with plunder secured from foreign ships.

In 1914 England had only one hundred and sixty-five million of dollars of gold reserves, and was safely on the gold standard. In 1933 she has nine hundred and five millions, and yet she cannot stay on the gold standard. If you want a very illuminating piece of information on that, Sir Thomas, I recommend that you read the New York Times of November 5th, and you will find on that date a reproduction of Doctor Edward W. Kemmer's address on "England's departure from the Gold Standard", in which he says it should be a matter of great rejoicing for the people of the United States, because the eight hundred million dollars a year profit which had formerly gone to the British financiers, was available to the New York bankers was wise enough to take advantage of it, and Edwar W. Kemmer is the young man who was picked by the b of the world to maintain the re-establishment of t gold-standard in twelve countries; who went to Chi

and tried to induce the Chinamen to adopt the gold standard, and I think, in my observation, one of the best informed men who could have given an opinion on that subject on November 5th of that year was Mr. Edward W. Kemmer.

MR. LEMAN: Is that 1931 or 1932?

MR. McGEER: It was 1931 when they went off the gold standard.

MR. LEMAN: It was November 1931?

MR. McGEER: Yes, Mr. Leeman. And mind you, the speech of Doctor Kemmer discloses that England's departure from the gold standard was the result of the international economic war being waged by the bankers of Paris and New York; Paris supported by the Franch Government, New York supported by Hoover and Mellon, and Phillip Snowdon, the Chancellor of the British Exchequer confirmed that opinion. I do not wish the distinguished Chairman of this Commission to say whether I am right or not, but I think privately he can tell me whether I am or not.

Now, let us take a look at the Dominion of Canada. We were bankrupt in 1913. Your Lordship will remember -- and I think this is a matter which should be brought out here -- that in 1913 we suffered a collapse of the tremendously unwarranted railway expansion. We undertook to duplicate the Canadian Pacific Railway by building one private national transcontinental system, and one partly private and partly national. In other words, we were going to have three C.P.R.'s crossing Canada.

MacKenzie & Mann were the private owners. In 1914 they collapsed, and it was a pitiable thing, for all our provincial governments and the National Government compelled the Dominion of Canada to engage in the business of operating a national railway system. Our banks were seriously involved, and at that time we made the first departure from the gold standard, to save that critical situation and we were then, as I say, in a state of actual bankruptcy, and issued without legal authority twenty-six million dollars of legal tender currency without gold security. That crisis was so acute, that that money was issued in violation of our statute, and the statute was passed the following year.

SIR THOMAS WHITE: You mean at the opening of the war?

MR. McGEER: No, I mean the twenty-six million dollars you issued for the Canadian National Railway system at that time.

SIR THOMAS WHITE: I do not desire -

MR. McGEER: No, I do not think you do. I do not wish to enter into a discussion on it, but I would like to have the privilege of examining you.

SIR THOMAS WHITE: The opening of the war greatly increased the note circulation.

MR. McGEER: What one do you mean?

SIR THOMAS WHITE: Used for the purposes of the war.

MR. McGEER: What was the currency then used to relieve the situation of the Canadian Northern?

SIR THOMAS WHITE: Bonds were issued on the

guarantee of the Dominion and sold on the open market - a forty-five million dollar bond issue, guaranteed by the Government. As far as our currency issues were concerned there was no over-issue beyond that authorized by the Dominion Notes Act. As soon as the war broke out we suspended the Dominion Notes Act. We did what President Roosevelt did not very long ago in the United States - we suspended the Bank Act.

MR. McGEER: I am not interested in that point at the moment. I wanted to show our position when we came to engage in the destructive enterprise of war, that it was one of rather serious insolvency. We were not in a happy position financially in our provincial government, in our businesses, or in the Dominion, but we had in gold reserve one hundred and sixteen million dollars, and our notes in circulation amounted to one hundred and sixteen millions of dollars, and our bank deposits were one billion They increased, and in six years our total accumulation of bank deposits were more by about one hundred and twenty-five per cent. Where did it come from?

Now, my lord, just compare that figure with the United States. When we say that the United States Banking system was such an unfortunate thing, when so many bankruptcies were occurring and so many depositors were losing their money - I gave you the figure of a decline of twenty-six per cent. in bank deposits; - when that was occurring, our bank deposits rose by 19 to twenty-six hundred millions of dollars, but in 1932 it had fallen to eighteen hundred millions of

dollars. My lord, our depositor wealth has shrunk thirty-three per cent. in Canada as against twenty-six per cent. in the United States.

Now, what is the meaning of that? It means our bank system for probably not the same reason is not as sound and stable as that of the United States, because the main defect I have mentioned, the accumulating of an enormous foreign debt, has drained away, from our deposits in taxes and interest more of their real wealth represented in accumulated deposits than has gone in the United States. Whatever condemnation people may offer of the American Banking system because of its obvious defects, it should never set the Canadian Banking System up as a means of improving it, because ours has infinitely more serious defects than it has, and the great defect, as I say, is that failure to supply the means of providing long-term credits internally for our provincial and local governments as well as our public enterprise.

I cannot emphasize too much this problem of our debt. That is one picture which if I do not succeed in impressing you with anything else, I do want to impress upon you, sir.

SIR THOMAS WHITE: I think you had on one of these charts about eight billion dollars -

MR. McGEER: It is nine and one-half billion, according to the Parliamentary Committee.

SIR THOMAS WHITE: You have eight billion doll there?

MR. McGEER: Yes.

SIR THOMAS WHITE: That includes bonded indebtedness, does it not?

MR. McGEER: Oh, everything.

SIR THOMAS WHITE: Does it include the debt they owe to investors in the United States and Canada?

MR. McGEER: Yes, three and one-quarter billions of our debt is -

SIR THOMAS WHITE: The question is this; I think that unintentionally you have been conveying the impression that this debt was due to Canadian banks, but you see an enormous amount of our debt is held, as you know, as well as I do, in the United States. I wish to make that clear, because from what you have said - and you have been using the word "banking" in such a wide sense, people may get the impression that this enormous debt is due to banks, whereas, as a matter of fact, it is due to investors who hold the bonds of these municipalities and governments, including tens of thousands of investors in the United States.

MR. McGEER: Quite true, but I am directing my attention to--

SIR THOMAS WHITE: You are directing your attention to the system, and all I can say is that the system includes very much more than banking operations; that is to say, in the narrower sense; that it includes investment operations as well. That is to say, the investments of tens of thousands, yes, even hundreds of thousands of private investors throughout Canada the United States and in England in interest-bearing

securities.

May I make one other point: I am rather sensitive through being out of public life so long, and one's reputati gained in public life is earned and maintained there. At the close of the war we had not relied, except to a limi extent, upon external financing. When I left Ottawa in 191 we owed practically nothing externally and one of my most cherished memories is that no less than one million eight hundred thousand people in the Dominion of Canada held Vict Bonds, interest-bearing securities, one for every family in the Dominion of Canada. I only wish they had them now.

MR. McGEER: The banks have them all now.

SIR THOMAS WHITE: I do not think so.

MR. McGEER: That is the circle which goes on and on. I have every sympathy with you, but as I say, I am directing the attention of the Commission to -

SIR THOMAS WHITE: The system.

MR. McGEER: --to the need of preventing our people borrowing from foreign countries. The United States never made that mistake, and Great Britain never made that mistake. Great Britain's trouble is solely due to the fact that the people who borrowed from them went broke and bankrupt and did not pay.

SIR THOMAS WHITE: If you will do me the honour of looking up the last budget speech I delivered at Ottawa, you will find I pointed out the very great difference between the national debt held in Canada as

against a debt owed abroad and payable in foreign currency and I think, and have often expressed the opinion, that one of our great difficulties to-day is due to the fact that from 1919 to 1929 enormous obligations were incurred payable in New York funds by governments or railways under government guarantee, by provinces, by municipalities, and soforth, and that is one of our great problems to-day, as you know as well as I do. However, do not let me divert you from your argument.

MR. McGEER: Now that you have raised that point, I will clean it up here. My submission to you is that we should provide the means of supplying our credit at home, and we should deliberately prevent a man, either as a government or a municipality or a provincial government or an individual from impounding any of the wealth of the Canadian people for the loans of foreign credit. If I have you that far with me, I might be surprised how much farther you would be willing to go before we get through.

SIR THOMAS WHITE: It may surprise you to know that I agree with you in many other things, but there are some I do not agree with you on.

MR. McGEER: Your point of view must necessarily be on many things fundementally opposed to my own.

SIR THOMAS WHITE: Not fundamentally. It may be that from what we have read we have reached different conclusions.

MR. McGEER: I hope that my son will think differently from me, but there is a difference in our ages, and it will be a good thing if he does. You will

admit there is a great difference in our ages, also, Sir Thomas.

SIR THOMAS WHITE: I think my wife would take issue with you at once on that.

MR. McGEER: She would not deny that you are older in wisdom and experience, Sir Thomas.

Now, this chart I think exemplifies our true position. From 1914 to 1933 our gold reserve actually declined in the same way our notes in circulation declined; and our cash in the bank declined. Our bank deposits rose until 1929 and then started to decline, and declined seriously, but, my lord, the mountain of interest-bearing debt continued to pile up.

Let me go back to the Burrard Street Bridge again. Sir Thomas, tell me how the tax-payers can pay interest-bearing bonds which put only a unit in circulation, and take out one and one-quarter, two or three?

You cannot under your system you are operating prevent the wealth of the people and the waalth of the tax-payers proceeding to the possession of the credit dealers. My lord, that is not the product of undirected natural evolution or laissez faire; it is the definite and positive result which the men of 1844 contemplated when they adopted the English banking system. They simply proposed this, that they would set up a system where they would use gold not as security for money, but where they would use gold as the means of destroying the government right to issue money. That is the purpose of the gold standard

that is what Sir Josiah Stamp meant when he made the statement I have quoted to you. When you freeze the nation's power to issue money into gold, then you establish a shortage of money; when you establish by law a shortage of money and leave the door open to develop a substitute for money, you have nationalized the money system, but destroyed the benefit of that nationalization by permitting a private monopoly to mint and issue credit as a substitute for money. When you do that you are not operating a sound money system, not using gold as a security for real wealth; you are using gold as a means of creating an unsound credit racket, which must end in the inevitable credit cycle, which means bankruptcy and disaster for multitudes.

How could we have fought the war in 1914 if we had stayed on the gold standard? We could not have done it. How can we fight this war to emancipate humanity from starvation and avoid the disaster of revolution unless in going to war on poverty we use the nation's power to issue money and create a token currency as a medium of exchange of the people? That mountain of debt which is piling up is the result - the planned and designed result - of the men who developed the monetary system in 1844, and there are those who persist in maintaining the ideas of those men, as sound economics and as the establishment of a sound money system.

Now, for much the same reason that we have set

up traffic regulations, - and I am trying to use illustrations which will be informative to the public as well as to the commission - we must set up traffic relations in the development of finance, trade and industry. No one would suggest that because we have traffic regulations that that is socialism. Our traffic laws, rules and regulations do not deny the privilege of the use of the highways to individuals, but they are designed and operated to create the greatest measure of freedom and liberty, consistent with the principle of "The greatest good for the greatest number."

Well, the right of the individual to use the channels of trade of the nation without interference or obstruction from other individuals, or monopolies is a right which must be granted, and if we fail to set up regulations in the realm of finance, commerce and industry, we are bound to get the same results as would happen if we were to destroy the regulations on our civic streets. Would anyone suggest that Roosevelt is making a mistake by setting up the National Industrial Recovery Act? Analogies are not easy, but I think the analogy of the channels of trade and traffic on our city streets is really a sound foundation from which to cast around for a really economic outlook, which is necessary for the future.

May I be permitted to read to your Commission what I think was one of the finest observations made by one of the leading business men of the United State Mr. Edward A. Filleen which was taken from his book wri in 1925. I give it because it is presented with clari and succinctness. He says:

"The relative authority and influence of administrative and financial points of view in business and industry is another neglected issue, and one that I may well use to illustrate the contention of this chapter, for I think it is true to say that the slow and, to my mind, often sinister encroachment of the financial upon the administrative point of view in business and industry has given the modern revolutionist one of his best arguments.

---It is clear beyond the need of explanation that most of the sins for which the modern revolutionist indicts our social system are sins of the financial point of view, not of the administrative point of view.

... Our whole business philosophy needs an overhauling to the end that the creative spirit of the engineer may everywhere dominate our stores, our shops, our offices, our factories and our banks. It is because the spirit of the engineer has only hovered on the outskirts of our business and finance that we are to-day face to face with a frank revolt against the whole modern business system.

...The engineer is a better patron saint for business than the sort of banker who thinks only in dividends.

... Credit is the life-blood of the business system which feeds and clothes and shelters mankind, and it is, therefore, a species of social treason not to regard its administration as a pub

responsibility and a creative opportunity. The real rulers of modern society are not the men who own the most, but the men who exercise the most control over enterprise, namely the men who administer the world's money.

... As an astute critic of our social system has said, 'an adequate study of the modern political organ that has grown out of the ancient business of exchanging and storing money must soon be undertaken,' for the fact is that the administration of credit has become one of the greatest forces of social control in modern times.

... The financial point of view in business seemed to me one of the best illustrations of the sort of fundamental questions we business men must think through if we are to keep the modern business system secure against social assault. It seems to me one of the rusted links in the business armour. If I have done nothing more than to call attention to it, I am satisfied."

(Page 545 follows)

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The same conclusion is to be found in your own report, my lord, Sec. 280:-

"...The monetary system of this country must be a

"managed system. It is not advisable, or indeed practicable, to regard our monetary system as an automatic system, grinding out the right result by the operation of natural forces aided by a few maxims of general application and some well worn rules of thumb. The major objectives of a sound monetary policy - for example, the maintenance of parity of the foreign exchanges without unnecessary disturbance to domestic business, the avoidance of the credit cycle and the stability of the price level - cannot be attained except by the constant exercise of knowledge, judgment and authority, by individuals placed in a position of unchallengeable independence with great resources and every technical device at their disposition."

The words "unchallengeable independence" came from someone who understood the meaning of these words. They flatly condemn the existing private management of the monetary system by bankers privileged to manage the system for their own gain. You cannot have a man of unchallengeable independence, my lord, if in between him and his duty stands the interference with the right to accumulate a private profit. What would happen to our judicial system if we allowed our judges to take fees for the kind of judgments they would write? What would happen to the administration of the estates of children or the estates of men left to their children we allowed trustees to privately profit by the management of the affairs of their sesqui trusts.

Under our banking system we allow bankers to us

the printing press to print paper bills, and at the very time those men are advising on the management of the monetary system they are advising governments whether it is time to borrow or to delay. As a member of the Legislature and advisor to governments I know what happe when governments seek the advice of their bankers. The banker says No this is not the time to extent credit. And no government goes in the face of the banker's advi And only on rare occasions, my lord, will men of private enterprise move in the matter of expansion beyond the advice of their banker.

In the investment of real estate there has been no single instance in Western Canada where bankers have not led the way by buying the most select corners in our cities and paying the highest price in the highest market all the way down the line. Just go down to the corner of Grenville and Hastings and look at the palatial building there of the Royal Bank, the Bank of Commerce and the Bank of Montreal. These buildings occupy the most valuable retail section in our city. And doing what? Putting on the same kind of a front that a banking man puts on to beguile the people into believing that it is not a credit institution but a sound money institution. And when you are in Ottawa let me call your attention to thi Ottawa is a little town. You will see two of these bank cluttered in between other buildings, two banks with palatial fronts, but unfortunately they do not harmonize and they jump at you, my lord, like a half witted person

trying to dress up with a combination of women and men's clothes at a State ball.

When I use the word "usury" I use it in the legal sense, my lord. They tried to build up a system from 1844, and the Committee, I think, recognized that while public opinion was not ripe to make the change the Banking system could not make the change itself because it came to this proposition:-

"...The task of the monetary system, as we see it, is, therefore, to balance, so far as it can, by change in the quantity and terms of credit, the effect on the price level of certain fluctuating factors,"

Obviously, if that power is to be exercised by any group of men, that group of men should have no personal interest in the nature of opportunity to add to their accumulation of wealth in the changes and the quantity and the terms of credit that they are called upon to control.

Now, my lord, our bank directors and our bank managers - not the officials but the men who control and actually act as operators of the machine, who lay down headquarter's policy, are privileged to engage in any classof business in competition with men who have no access to the credit system whatever. They can go out and buy up pulp and paper industries, and engage in other classes of business. I must say this to the credit of the original members of the bank system, and particularly to the members of the Bank of Montreal. They did

religiously confine the business of bankers to that of banking, and it is only in recent years that our Canadian bankers have followed the disastrous lead of our friends to the South of us and started to correlate what I am pleased to call the predatory monopoly of industry with a predatory monopoly of finance. And, my lord, the power of credit is too great to permit that kind of thing. You are bound to have disaster because nothing but the most unselfish, far-seeing and wise of men could ever operate under that system without bringing about disaster. And it is that very system that has developed the fortunes of the Morgans and the Mellons. To allow a man to be engaged in industry and to be the manager of a monetary system at the same time violates every principle of democracy and repudiates every foundation of responsible government. Obviously, if that power is to be exercised by any group of men, that group of men must have no personal interest in the nature of opportunity to add to their accumulation of wealth in the changes in the quantity and terms of credit that they are called upon to control. Obviously, if that power is going to be used it must be used by someone responsible to the government and the people.

Speaking of the officials of our Canadian banking system, I know of no group of men who are higher in honour more loyal to their employees, more courteous to the publi or who perform with greater diligence and loyalty for comparatively small wages more service than do the members

of our banking officialdom in the Dominion of Canada. But I am not dealing with the officials of the banks of Canada, I am dealing with a director owner controller of the system.

Obviously, bankers will not issue credit to relieve unemployment, to promote education and to advance the health of the multitude unless they can be assured of the payment of interest or the accumulation of profits by the credits they issue. Their methods are doomed to failure because they are, as President Roosevelt said, the actions of men "who know only the rules of a generation of self-seekers". Let me refer to the Macmillan Committee Report as to these methods and how they actually work out:-

"The methods by which a modern central bank controls the volume and terms of credit in its domestic monetary system consist in the main:

(I) In what are known as 'open market operations', that is to say the purchase and sale of assets in the market on the initiative of the Central Bank itself.

(2) In varying the terms on which it will purchase assets on the initiative of the seller, which is conveniently summed up as "Bank rate policy".

If my interpretation is correct I think that the Macmillan Committee found that the bank rate policy was an ineffective instrument. It says:-

"There can be no doubt in our judgment that 'bank

"rate policy' is an absolute necessity for the sound management of a monetary system and that it is a most delicate and beautiful instrument for that purpose."

I think there are a lot of people who would hardly call it either delicate or beautiful, my lord.

(Page 555 follows)

It then goes on:

> Nevertheless there are certain limitations to its usefulness unless it is supplemented in certain ways.

Now let us take a look at what this Committee says with regard to this delicate and beautiful instrument:

> If we had a more complete knowledge, both scientific and statistical, of what is going on in our economic system, it might be possible to act sooner with great advantage, to correct aberrations before they have gone too far and thus keep business and enterprise on a more level keel. It would be better (if it is possible) to develop greater powers of diagnosis and not to depend so much on a comparatively late-appearing symptom.
>
> Bank rate policy is only adequate by itself within certain limits.

But the banker and our government have no other facilities available at the present time. The Committee goes on to say:

> When substantial changes in the level of our industrial costs are necessary to correspond to substantial changes in the value of money, changes in bank rate alone cannot hope to achieve all that is necessary. For consider how bank rate policy works out in such a case. Its efficacy depends in the first instance on reducing the profits of business men. When in the effort to minimize the result, output and unemployment are contracted, it depends on decreasing the amount of business

profits and increasing unemployment to whatever figure is necessary to cause business men either to decrease their costs by additional economies or to insist on, and their workers to accept, a reduction in wages. The reduction, if and when effected, will fall unequally and unfairly on those sections of the community who are least protected by contract, least able to defend themselves and often least able to afford the sacrifice.

The thing that does that kind of thing, delicate and beautiful! What kind of sardonic humour is that? Was it my friend John Maynard Keynes that put that in the report? Delicate and beautiful! The report goes on:

> Moreover once such a condition of depression has become firmly established, a policy of dear money will no longer be necessary to assure its continuance; for it will contain within itself the seeds of its own perpetuation.

The man that wrote that has been vindicated by time. You did arrange bank rates by universal agreement in 1929 and bring about a collapse and withdrawal of credits and you brought humanity into disaster.

On October 21, 1931, and mind you, these confessions should not be overlooked by men who recognize that we are at the parting of the ways and that we must reconstruct our economic policy or go into disaster, Montagu Norman, the high priest of the "high cathedral of usury" frankly admitted that the problem of managing the

monetary system was beyond the control of bankers. I venture to say without fear of contradiction that since 1916 no man has exercised and wielded the power over the British people that Montagu Norman has done. He has been a definite and positive force in every move that the government of Great Britain has made, and it was the domineering dictation of the Bank of England at the Ottawa conference that brought that magnificent opportunity to disaster. My authority for that, my lord, is not the conception of a crude colonial. I have the authority of the Journal of the London Chamber of Commerce. Let us see what Montagu Norman, who appropriately chose for himself the alias of "Professor Skinner," did. He showed up in America during election time in the United States and he threw the whole American people into a fervour of excitement by announcing that he did not want to see anybody, but was going to travel west under the name of Professor Skinner. He is the greatest humourist that has ever been developed in history. Nobody could be so subtle in his humour as that but an English banker. He was laughing at humanity and at the pitiable plight into which the Americans had got themselves in trying to emulate the banker manipulation of credit in England, and telling them what a sad thing it was that they were not as clever as he was. I wonder if he had anything do with the defeat of Hoover. He was associated with the bankers of New York in knocking England off the gold standard and keeping her off for the purpose of getting that eight hundred millions that Edwin Kemmerer

of Yale University publicly declared was available. I know that there are delicate things in this monetary system, but it is not the bank rate policy. In one of his very rare speeches Montagu Norman confessed to a banquet of distinguished British and continental bankers and financiers at the Mansion House that as regards the world business outlook he could only quote the line of a famous hymn, "One step enough for me." Pointing out that the difficulties were so vast, the forces so unlimited and so novel, and the precedents so lacking, he said:

> I approach the whole subject not only in ignorance but humility. It is too great for me .... I think there is nothing that impedes business and the prospects of bankers to the same extent as frozen credits. I do not know how it is achievable, but I do believe that trade can find its way in almost any direction, over or around almost any tariff, if it could be financed.

No precedents? Nothing to do but to die in stagnation under that mountainous load of interest bearing debt. We are in this plight because we are now experiencing the ghastly paradox of a Christian civilization dying in the strangling grip of the dead hand of usury despite the fact that usury violates the direct teachings of humanity and every implication that comes from Christian philosophy. Plato knew better than that. I understood that Plato was a good place to start as a foundation for a political education and three or four hundred years before the birth of Christ Plato said, "How does democracy emerge

out of oligarchy." I have no doubt that your lordship is familiar with the laws of Solon as they are portrayed in Grote's "History of Greece," and at that time exactly the same conditions prevailed, but they were met definitely and courageously and he gives us the solution. Laws were passed to serve the needs of humanity of that day, casting off the burdens and repudiating debt, and there was areconstrustion of the laws of debtor and creditor. He said:

> On the other hand, the men of business, stooping as they walk, and pretending not even to see those whom they have already ruined, insert their sting -- that is, their money -- into someone else who is not on his guard against them, and recover the parent sum many times over multiplied into a family of children: and so they make drone and pauper to abound in the state.
>
> And in oligarghical states, from the general spread of carelesslness and extravagance, men of good family have often been reduced to beggary.

Yes, surely.

> And then democracy comes into being after the poor have conquered their opponents, slaughtering some and banishing some, while to the remainder they give an equal share of freedom and power; and this is the form of government in which the magistrates are commonly elected by lot.
>
> Yes, he said, that is the nature of democracy, whether the revolution has been effected by arms, or whether fear has caused the opposite party to

withdraw.

He goes on:

> .... And, as in a body which is diseased the addition of a touch from without may bring on illness, and sometimes even when there is no external provocation, a commotion may arise within -- in the same way wherever there is weakness in the state there is also likely to be illness, of which the occasion may be very slight, the one party introducing from without their oligarchical, the other their democratical allies, and then the state falls sick, and is at war with herself; and may be at times distracted, even when there is no external cause.

My lord, we should not condemn democracy or Christianity for this depression. Christianity and democracy have never been tried. We are living in that oligarchical state that Plato describes and our credit is being destroyed by our elected representatives who are responsible to the people.

Oh yes, I know it will be said that I am attacking the bankers, and I shall be described as I have already been described as an illogical devil-hunting radical with an anti-banking mania. But remember this. The words of prophecy that Plato offered might come true. Our civilization which has reached the standard that ours has reached will not for very long concede to a self-seeking monopoly the right to destroy a man's opportunity to live and enjoy the life and leisure which his intelligence entitles him to, and may be to-day

I am speaking as much for the well-being of the banker as I am speaking for the well-being of the wage earner. You are not unfriendly to a man if when you see him coming along the edge of a cliff and feel that he is bound to fall over to his own destruction you point out to him the danger of the course he is following. Am I alone in my conclusions? I do not know what you think of them, my lord, but I think that Montesquieu in his "Spirit of Laws" distilled more real wisdom than you can find in all our English books including Adam Smith and John Stuart Mill. In his "Spirit of Laws" Montesquieu presented an analysis of the situation which is somewhat similar to the situation we are in to-day from the point of view of banking. I believe that in this substitution of credit for money and the use of credit as a national institution we shall find the key to the way to prosperity. Sir Arthur Salter in a recent article in International Affairs of July, 1933, on page 542 says that we have entered a period of illimitable realizable abundance but that we are far at present from having thought out either the politics or the economics appropriate to such a period. I am of the opinion gh that Sir Arthur Salter is wrong and that the truth of the matter is that both the politics and the economies have been thought out but they have been misapplied. We are living in an age of plenty, and although we have the twentieth century facilities we are allowing a state protected monopoly to appropriate the wealth of humanity by using humanity's credit. What we have real ly done, my lord, is this: We have gone into

the most dangerous form of a medium of exchange, that is, credit manufactured by the mere stroke of a pen in a banker's book. That is infinitely more dangerous than money. The ancients recognized the danger of usury, and what must be our danger when we accept usury in a credit system. We have farmed out the creation of credit of a credit substitute for money to a private profit-making monopoly in exactly the same way that the governors of the Roman Empire farmed out the collection of the revenues. Elihu Root, who was undoubtedly outside of Abraham Lincoln, the greatest contribution of the United States to contemporary politics declared when the United States adopted the federal reserve system it had adopted laws that had brought Rome to its fall. Let me quote, for the purpose of answering Montesquieu's suggestionthat there are no precedents to follow, what Montesquieu observed when dealing with the monopoly of farming the national revenues:

> When the lucrative profession of the farmer of the revenue becomes likewise a post of honour, the state is ruined.

What happened to the United States when Andrew Mellon, the richest banker in the United States, became Secretary of the Treasury? He enjoyed the post of honour, and the state was ruined. Two gentlemen who enjoy the privilege of being farmers of the credit medium of exchange are now sitting to tell us Canadians what kind of a monetary system we should have, and we are ruined.

Now that the lucrative profession of the banker has become a post of honour, the farming out of national

credit has brought disaster to the whole of civilization. By pointing out the right and opportune time to change the farming of the national revenues to national management, Montesquieu, I believe, gives us some light as to the course we should follow in seeking a remedy for our present ills, when he says:

> "I acknowledge that it is sometimes of use to farm out a new duty, for there are practices and devices to be developed that commissioners might never think of. Now the manner of levying the duty being once established by the farmer, it might afterwards be safely entrusted to a commission. In England, the management of the excise and the post office was borrowed from the farmers of the revenue."

The man who gave birth to the idea of the League of Nations was unqulified in his condemnation of banker management. Here are his views:

> "The great monopoly of this country is the money monopoly. So long as that exists, our old variety and freedom and individual energy of development are out of the question. The growth of the nation and all our activities are in the hands of a few men who, by reason of their own limitations chill, check and destroy genuine economic feedom."

No precedents, Mr. Norman? The books of history are filled with them. Let me give one word from Lincoln. Of all the men whose lives I have been privileged to study I think Lincoln had the supreme faculty of summarizing the problems of government so that anyone could

understand them, and he never used such an expression as "an intractable non-monetary phenomenon, and he was the best financial critic of his time. Lincoln is not known to many as a great monetary economist, but if he had not been assassinated and had been elected upon a sane monetary programme of national currency Lincoln would have laid the foundation in the United States for the reconstruction of that great country. He would have given the people of that country a currency as sound as his own government. He would have destroyed the right of the Mellons and the Morgans to the possession of the unspeakable wealth which they now possess and he would have laid the foundation for the American people to have lived in the enjoyment of peace and the plentiful abundance of their land. In that election campaign he describes his fear of the secret enemies of the United States, and when he dared to stand for national currency and against usury his days were numbered. Students of history do not hesitate to blame the international bankers of his day for the assassination of Lincoln. This is what Lincoln had in mind:

> "It is peculiarly the duty of the national government to save the treasury from the payment of interest by securing to the people a uniform national currency and a sound circulating medium by furnishing a currency as safe as their own government."

May be you gentlemen are conversant with it, but while Lincoln's Gettysburg second inaugural address will

live forever there is one declaration which he made in a message to Congress that should stand side by side with it. In vetoing a bill put through by the bankers to create a monopoly in issuing bank notes of less than five dollars in the district of Columbia, President Lincoln said:

> This bill seems to contemplate no end which cannot be otherwise more certainly and beneficially attained. During the existing war it is peculiarly the duty of the National Government to secure to the people a sound circulating medium. This duty has been, under existing circumstances, satisfactorily performed, in part at least, by authorizing the issue of United States notes, receivable for all government dues except customs, and made a legal tender for all debts, public and private, except interest on public debt. The object of the bill submitted to me -- namely, that of providing a small note currency during the present suspension -- can be fully accomplished by authorizing the issue -- as part of any new emission of United States notes made necessary by the circumstances of the country -- of notes of a similar character, but of less denomination, than five dollars. Such an issue would answer all the beneficial purposes of the bill, would save a considerable amount to the treasury in interest, would greatly facilitate payments to soldiers and other creditors, of small sums, and would furnish to the people a currency as safe as their own government.

Entertaining these objections to the bill, I feel myself constrained to withhold from it my approval, and return it for the further consideration and action of Congress.

Yes, in Lincoln's day bank credit was not like it is to-day, but now you are using bank credit transferable by cheque. The issue of national bank credit by cheque is exactly the same thing as issuing paper currency in Lincoln's day, and when I recommend these things I do not hesitate to do so because I am on the firm foundation that I am in the company of a man whose altruism and public service has been a guide and inspiration to the American people, and when I am sneered at and jeered at and repudiated I know that the sneers come from the same quarter that they came from when the Carpenter of Nazareth was hung upon a cross. He got there after he had driven the money changers from their benches in the temple and when Lincoln vetoed that bill he antagonized the money changers of his time and his days were numbered, and when I am speaking for the purpose of taking this power out of the hands of a group of self-seeking usurers I repeat the language of President Lincoln and of President Roosevelt of the United States.

Now let me come to one of our own Canddian bankers. We hear a great deal of talk from bankers about the extravagance of governments. I am not prepared to say that governments have not been extravagant. May we adjourn for lunch, my lord?

THE CHAIRMAN: I think we would rather go on.

MR. McGEER: I shall not be through for another hour. I have tried to rush through what I wish to say, but it is too much of a strain.

THE CHAIRMAN: We might hear some others in the meantime. We are anxious that others have an opportunity of being heard as well as yourself.

MR. McGEER: I cannot have my argument on a subject of this kind broken by others speaking. It is a pity we have not a little more time.

THE CHAIRMAN: How long do you think you will be?

MR. McGEER: I do not know. You can close me off any time.

THE CHAIRMAN: Would you like to take a rest now?

Mr. McGEER: This is the first time in my life that I have ever been asked to go on beyond one o'clock, and I have appeared before a thousand commissions in Canada for years and years.

THE CHAIRMAN: I am not asking you to go on. I am asking you if you would like to take a rest.

MR. McGEER: I do not want a rest. I am not a weakling, my lord.

THE CHAIRMAN: Suppose we hear one or two other witnesses first.

MR. McGEER: No, I do not want my remarks to be broken.

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Mind you, there are people in this Dominion of Canada of ours who may be interested in my remarks outside of yourselves; there may bemany members of Parliament who may wish to read it in the light of what I have said, and I want them to have the opportunity of reading it without it being broken.

Sir Herbert Holt, the President and Comptroller of the Royal Bank of Canada made this statement:

"For many years government expenditure has been on an excessive scale. Extravagance has characterized the budget of national, provincial and municipal governments. Throughout the country there is a general demand that budget be balanced, and every effort made to lighten the heavy burden imposed upon the people by reducing the unduly heavy taxation."

Fifty per cent. of our taxation is now required to pay interest, on sinking funds or fixed debt.

He goes on to say:

"There is a noteworthy duplication of government in Canada which leads to the excessive cost of administration. We must seriously consider whether this country can afford to maintain as many as nine separate provincial governments, together with the federal government, each with an elaborate organization."

Now, my lord, one of the things I take out of that is when you are considering whether or not you can stand nine governments with an elaborate organization, can we stand nine banking corporations with their

elaborate organizations? If Sir Herbert Holt sees practical economy in the general elimination of the duplicity of government, then surely your Commission can find from that a good reason for recognizing the consolidation of our Canadian Banking System into a National institution.

Now, let me go a little bit farther: How far does Sir Herbert Holt go? - and mind you, my Lord, what I respectfully submit to you when you are considering the best interests, if you do not establish a national banking organization and the means of nationally controlling and regulating your banking system in Canada, your bankers will compel the Canadians to nationalize everything else, and mind you, this national industrial act in the United States is not very far from what has taken place in Italy, and Germany and Russia, and here is Sir Herbert Holt on our Transportation System. This will no doubt be interesting to you, my Lord, where he says, when the British manned commission came out and told us how to handle our railways, they recommended a system of unification and co-operative operation. Sir Herbert Holt said that co-operation of this sort will not prove drastic enough to cut down in any adequate degree the annual deficits of the Government railways to which I have referred. He goes on to say:

"A plan founded upon agreement between rival enterprises and the solution of the vast and intricate question of the maintenance and administration of separate properties, presents difficulties for which it is not possible to find a ready and lasting remedy.

It is said that public opinion is not ready for complete amalgamation, but this assumption, I am convinced, is made without regard to the inherent sanity of the people of this country, and it must be apparent to everyone that the maximum of economy can be obtained only under a union of interest which will remove the elements of competition."

Do you think we need nine or seven banks, sticking up on our most expensive corners to serve the monetary requirements of these little communities? If it is good business to eliminate the competition and the duplication of service by the consolidation of the railway systems, then it is good business, to use SirHerbert Holt's own reasoning, to consolidate your banking systems.

Then he goes on to propound exactly the same thing in the matter of the pulp industry, in which he says, after pointing out that agreement was impossible that if we could not agree, provincial governments must take steps to conserve Canada's natural resources and prevent the collapse of the vitally important newsprint and pulpwood industry.

He says:

"Probably no major industry in Canada, save railways and agriculture, has suffered more from the drastic decline in consumption than the Canadian newsprint industry, with the result that the mills find themselves with productive capacity far in excess of present-day requirements.

"The difficulties in the industry have been

materially enhanced by extreme and unjustly competitive methods, which have resulted in the burdens due to lower consumption bearing more heavily upon some plants than others.

The view which is still expressed that high-cost producers should be eliminated and capital structure pared down, can now be regarded as almost meaningless. In substance, this adjustment has already taken place and high-cost mills are not now operating. In spite of drastic economies, the industry now faces the difficulty of covering its actual operating expenses before provision for any interest or depreciation. In these circumstances a continuation of price-cutting methods is not in the interests of the people of this country, particularly the workers in our woods and mills, and if the strong efforts that are being made to secure co-operation, are not successful, provincial governments must take steps to conserve Canadian natural resources, and to prevent the collapse of this vitally important industry."

I say, on Sir Herbert Holt's statement, made to the shareholders of the Royal Bank of Canada on January 12th, 1933, that you have the positive declaration not only of the wisdom, but of the positive necessity of nationalizing the administration of public credit.

Now, let me come to the picture of our bank system, as to how it works: In Canada we have nine banks operating around our Mint, our Department of Finance, and our central gold reserve. The banks are actually owned and controlled by two groups of men, the shareholders

who have put up one hundred and forty-four millions of capital, the directors and presidents who, associated with credit dealers, financiers, and syndicate corporations, are the real administrators of the nation's credit. It is in that group where you find the real control of financial policy, and the real dictation of the distribution of the circulating purchasing powers media of the people.

Now, my lord, your nine banks move out and do business with the National Government. Each one of them is in competition with the other; they strive to do business in all of the Provinces of Canada, with the exception of some of your Quebec banks. They then do business, as far as they can in every department of activity in competition with one another. True, there is very little competition in the rate of interest, but, my lord, the intensive competition comes in securing the deposits, because it is in the power of the bank to keep its deposits in line with the cheques issued against them, and it is upon that feature that the solvency of the bank depends. So that you find in every little community - in the City of Vancouver - branch banks here and there and everywhere. You say to yourselves, "What is the purpose of these? People do not need that kind of service; people will go up a side street to a banking institution". It is the intensive competition to secure deposits which prevents the banks from extending credit in times of disaster. I mean it is not merely a matter of the inconvenience to the banker, to save himself from

bankruptcy, but it does place a definite restriction upon the power of the bankers to issue and circulate an adequate volume of credit.

Now, when he tries to settle through his clearing house, which he has developed throughout the country, provided the banker can get time to keep time and to expand and contract, and in some mysterious way coming to the conclusion, without headquarter's agreement as to how theywill put credit out when they are not going to, without any general machinery known to the public available to assist them in that regard, you cannot help but bring this machinery into disaster. It is a tremendously complex organization which regulates and circulates in the artificial bloodstream upon which our civilization depends, but which is beyond control.

Then the disaster comes, and the provincial, municipal and individual enterprises have no check on the credit obligations they are going to incur abroad.

Quite irrespective of what we are buying from France or Belgium or the United States or Great Britain, I have the privilege of going there and buying bonds whenever I want, to take advantage legitimately of the market, and I can wreck, following that uncontrolled course, the political economy of my own country, and there is no authority in our present banking system and no means of controlling that situation. That is why, my lord, people who produced eight thousand million dollars of wealth in the last ten years no find themselves bankrupt and unable to go forward . There is no possible way by which you can take this crazy patchwork

which is the best our bankers have been able to develop in the way of a monetary system, and make it work. What you must do, even if you are going to carry on as private bankers, managing the monetary system of the nation - you must enter into a partnership with the government and secure from government your guarantees against insolvency, and those powers which are necessary to maintain some measure of economic control, so that you can absolutely control the institutions you are managing.

May I just refer to a possible change. I do not think there was any great difficulty in setting up in cooperation with the bankers a monetary system which will comparatively easily take care of the defects in this one.

There is not a single feature of this banking system, in its values or in the technique of its operations which has not been worked out. Instead of moving into the realm of speculative fantasy, my lord, this moves from illogical fantasy and unreason into the realm of practical reasoning and common sense.

Bankers can operate this system, and under this system bankers can really perform the high and honourable service that banking should perform in the community, and in this system, bankers, economists, and skilled administrators will be in charge of the politicians, not the politicians in charge of the economic servants of the nation.

Let me show you how simple it is. You have your mint which produces exactly the same kind of money which you use to-day, paper currency and token

currency of no intrinsic value, paper currency and metal currency of no intrinsic value. It also takes care of your gold bullion reserves. Upon what theory will the government, which can buy silver worth 16 cents and mint it into a coin worth one hundred cents, borrow paper currency on credit from a private monopoly?

Let me put it to you as a plain proposition; if you were financing your own business and you had powers to issue credit or money of your own, would you ever dream of borrowing any from anybody else at interest? Of course you would not. If that is sound and sane and practical for a private individual, governments which are made of nothing more than the multiple interests of a number of individuals, must be governed by the same reason.

Upon what theory of law, rule of economy, or upon what principle of justice or common sense, will yousay to a government which has the power to create money on its own credit, that it shall borrow credit at interest from a private monopoly, and go bankrupt in the process of doing it, ruining your taxpayers and precipitating starvation? Upon what theory of plain reason? Can any banker answer that? They used to say it was "because ; it was a high price to pay but admittedly it was not too much to pay for the scientific management that bankers would supply the monetary system with."

Now that that management has collapsed, now that we know we cannot depend on banker management, whatodher answer is there? None. There is no alternative, my Lord, but to endeavour to escape the appalling

extravagance of borrowing bank credit for the purpose of financing the government than to adopt in peace times the practice, the technique of which was perfected in war times. If we can produce one billion four hundred million dollars of bank credit out of a bookkeeping system to prosecute the war, then we can use national credit issued without interest to maintain our people in the business and prosperity that their intelligence entitles them to enjoy.

Your national mint supplies them with this money and this credit. Your national bank will supply your national governmental needs, and the credit is being used, as Lincoln said, where it is as sound as the government of the people.

In a country like Canada you must set up provincial sub-banks which will supply provincial government and your local government with the credit they need.

Now, my lord, what does this mean? It means that in a city like Vancouver we would not be without a city hall; it means our schools and playgrounds for our children would be in a much better condition than they are to-day; it means that our pensions to veterans and our superannuation allowances and old-age pensions will be paid on a higher scale. It means that the services, such as health and education, would be recognized as the means of emancipating people, not only from illitracy, but from ignorance. We would look forward to establishing enlightenment as a means of maintaining order in an age of plenty; men of responsibility, because of their natures, can be safely

entrusted - with what? An abundance of this world's goods. We do not fear to allow educated men, men of cultural understanding, to possess wealth; if we educate the mass of the people we do notneed to fear that they will destroy themselves by indulgence in abundance. My banker friends will say, "Oh yes, my dear sir, that is all so lovely, but they would demand so much for schools and roads and everything else, that you would be so much consumed by credit in the purchasing power's stream, that nobody else's money would be worth anything." Is that a difficulty which cannot be overdome? I think you can overcome that difficulty with ease, because while we perfected the technique of issuing credit for a money system, we have also perfected the technique of taxes.

In this country we can take everything a man has for taxes, and we have done it with a great many people. If we applied a Department of taxation and co-related it with the national banking power to issue, what taxes would you use? We would use the probate and succession duties; we would use the income tax and the excess profit tax. Do we know how to use them in Canada? Fairly well, sir. We would use the license and excise tax to aid in the control and protection of all of us, and then comes that great and fearful problem for people well-to-do, working continually at wages might start to save, and by becoming so well off, nobody would do any work any more. You have a very delicate and beautiful instrument in the form of the general sales tax, which you can apply in one per cent. or fifty per cent., and you can crack the volume of your credit

purchasing power down without going through the disastrous length with the out-worn programme of banker managers raising the rates of interest and withdrawing credit inflation.

If you want to emancipate humanity from poverty you can set up a banking organization co-related with the power of taxation, and you can keep your purchasing power at any level you want to; if you want to have a two thousand million dollar level, as you have had, you can keep it, if you want to raise the standard of living of the people of Canada to a ten thousand million dollar standard, you can do that, but to argue in this enlightened civilization that men who can regulate electricity, who can protect humanity from pestilential disease through the science of medicine and our sewage system and waterworks, cannot manage a medium of exchange to emancipate civiliz ation from power, is to argue that a man who can run cannot walk. In this crowded world, if we are courageous enough to destroy the monetary usury which our banker friends have adopted, and which has brought this civilization to ruin, we must set up these economic controls which are necessary. What are they? In an age of plenty, when production can always produce the depression of glut if uncontrolled, then it is a species of social treason not to recognize that the volume of production should be kept within the limitations of practical consumption, and when a government sets up such a measure, it is doing exactly the same thing it does when it

establishes the traffic signals in the traffic department of the community; it assures the greatest good for the greatest number.

Your economics control your taxation, and your power to issue give you control of your domestic finance, and then comes that problem which is always the nightmare to British economists and British S tatesmen and British bankers, what about your international buying power? In a closed system, if you lived all by yourself and had no international trade, "Yes," says the Macmillan Committee's report, "what would you say is a practical and feasible possibility?" A man cannot do that; he cannot live in a world where international trade plays an important factor, and, to continue with the report, "I do not hesitate to recognize that our nation, our domestic trade, and our international trade are interdependent in no small degree ."

How then can we maintain our international trade? We must do this; we must set up an international clearing-house wherein the Department of International Trade stops Canadians from buying abroad more than they are selling, and when I say "buying" I wish to include tourist traffic and borrowing credit, as well as buying goods.

Now, we know from actual experience that if we do not set up that measure of control, what has happened in the past can happen in the future, and we can wake up, even though we straighten out our difficulties and get cleared away for the moment, - although I do not see how in the world we can do it - but you wake

up again with our unfavourable balance of three billion two hundred and fifty million dollars, putting us in bondage to the foreign lands.

We cannot afford now that we are a self-governing nation, and a member of the Commonwealth of Nations, and a member of the British Empire, to so conduct our affairs that we are in bondage to anybody. Our responsibility is too great, and how can we by such a course, ensure economic independence in the Dominion of Canada, and we can free the grain man, the miners, the lumbermen and everybody else by the predatatious activities of your international credit-dealing racketeers. I am not condemning them all in that way, but you know something of the Balkan gang and you know something of these other gangs which have operated in violation of the Orthodox bankers activities, which are racketeers even in the eyes of the international banker, and have exercised an influence and affected the value of international money in the foreign exchange markets.

(Page 595 follows)

Now, there is one other point that I think I would like to make clear, that in this system I do not see how we can ever separate unemployment relief from national credit by giving employment to men in domestic services with national money. Just assume that we get to the point where we use national money and then have a balanced government wherein men engaged in producing from our forests, our agricultural lands and our fisheries products that must be sold, in the main, in world markets at a price which is far below that of the domestic standard of those supporting their domestic credit. But that again is not a problem that is insurmountable if you want to set that system up. Let me say that you can give the farmer of Canada a dollar or a dollar and a half per bushel for wheat on Canadian credit. If the Government of France can give the French farmer $1.55 per bushel for wheat you can here, and make no mistake about it your French Government will pay your French farmer in francs issued by the authority of the National Government, by the Bank of France which is an international institution. They are doing that in France to-day. How else are you going to compete with Russia? How are you going to maintain a decent standard of living for the Canadian people if you do not balance your standard not only of the domestic and international trade producer but of your city and industrial community with your farmer. And when you come to consider in the very limited time that you will have at your disposal a monetary structure that will carry the people of Canada for the next thousand years possibly or more, I beseech you to take the time to

consider the necessity of protecting the standard of living in the agricultural community as well as in the city offices and the banks. That system does not mean the nationalization of finance.

By establishing a national banking system empowered to issue national money and credit as the purchasing power of government, whose management is responsible to nation and people, this great objective can be achieved:- The outstanding governmental extravagance that is the real cause of most of our trouble, the disastrous cost of financing government by borrowing bank credit at interest repayable in money, can be eliminated.

I want to say, my lord, that your merchant bank can perform all the functions of legitimate banking. You can with your own capital set up your merchant banks, taking deposits in the ordinary stream of trade. The thing you cannot do as bankers is to issue your own credit as a substitute for money purchasing power and create banking purchasing power by printing paper currency.

The nationalization of public finance does not mean the nationalization of private finance. This system does not mean that mismanagement by private enterprise of public finance must be followed by public management of private finance. But it does mean that public management of public finance must come into being. And it will come, gentlemen, because it is right. I believe, with Lincoln, "that right will always prevail over might"

and "that a house divided against itself cannot stand"; and that you cannot build a civilization where one group are allowed to plunder the other by the use of public credit. You are bound to end in disaster, and because of those truths this plain efficacious system will permit the British Empire to go on leading the world.

We have a right with the possession of the resources that we own to look to leadership. We are no less courageous than our forefathers. Our opportunities are infinitely greater than their's ever were. Are we going to stand idly by and do nothing because a private monopoly wants to maintain the present system and continue the evils of usury? If we try to do that what penalty should be pay? Well, we are going to go into the valley and there will be weeping and wailing and gnashing of teeth if we do not change our ways on that. And we should think of our children, if not ourselves, by undertaking to avoid such a calamity. This system can achieve this objective. Yes, I agree with Sir Robert Peel, that we want less cost of government; but we want government spending power and the purchasing power of the people both increased.

Just name me one single service that you have in Alberta or British Columbia or in the whole Dominion of Canada that is above our standard or above the standard of our socialism. Are our hospitals too good, or are our orphans' homes too good? Are pensions to mothers too much? Are our roads elaborately constructed. Take our present-day standard, why we are living still like Hottentots. You have not got a decent playground in the

City of Vancouver, the most magnificent city in the British Empire. You could spend $500,000,000 beautifying this place and making it a world centre of attraction for world tourists. Would it not be well to have our unemployed doing that kind of thing? Millions of men staggering blindly about with nothing to do and a world at our feet to build.

The out-standing governmental extravagance that is the real cause of most of our troubles could be eliminated, by the establishing of a national banking system.

Do you want to know why our governments are bankrupt? Why, because in this little town of Vancouver we were called upon to close our library and drive 1500 young men out of their homes. We are paying $4,000,000 a year in interest on our civic debt, and when we go down to the bank to get credit to carry our unemployment they shoot the rate up to 6%. That was your bankers' cooperation in the hour of national disaster.

The ideas I have I got from my father. When I was a young man I read Dean Swift's letters, the Draper letters; they are classics of their kind. And I made up my mind then, as a young man, that some day I would hit this banking monopoly and I would hit it as hard as I could; and when I get this little piece out of Ottawa, - yes, my lord, you may look at the clock if you wish, I can put more into five minutes than is to be found in some 400 pages of the Macmillan report.

This fundamental change in the structure of the monetary system of the nation is founded upon the wisdom

of the ancient truth that was clearly defined when the money changers were driven from the Temple which they profaned. Economically it is based upon the following definitely established postulates:-

The medium of exchange, whether it be money or credit or both, is the creature of law.

The creation, issue and management of the circulattion of the purchasing power medium of exchange, whether it consists of money of intrinsic value, token currency or credit transferred by cheque, are supreme perogative rights which constitute the most conspicuo responsibilities of government, and the right to create and issue money forms a valuable part of the public domain.

My lord, as a member of the British Judiciary, may I appeal to you to write a report that will restore to th Government of British Columbia their right to issue thei own purchasing power:

The delegation of the right to create and issue bankers' notes as money or bank credit as a substitut for money violates every sound theory of responsible government, because it transfers from the state to private interests the wealth of the nation that accr when money purchasing power is first put into circula tion. That profit belongs to the government as trustee for the people. Under the existing system th banker actually secures, with the sanction of government, the same profit that a counterfeiter secures when he succeeds in circulating spurious money.

That is exactly what you do. You put a man in jail if he issues spurious money because you say that that money issue belongs to the State; and rightly so. But then you have nationalized your money system and then you completely nullify that by granting the bankers the right to issue a credit substitute for money, for credit is now the medium of exchange. What compensation does the State get for that? It has got no compensation, my lord, but when you allow a banker to exercise a power such as that how could you escape bankruptcy. My lord, you can well afford to take much time to ponder over those things:-

The delegation of the management of the circulation of the purchasing power medium of exchange of the people to a profit seeking private money system conflicts with the laws and rules of sane economy because it vests in usurers the privilege of controlling for their own gain the "economic blood-stream" upon which national stability and social progress depend, and which carries with it the right to prefer a minority at the expense of the general standard of living and well-being of the majority.

Silence is golden. Never apologize, never explain. May I direct your attention to the Lord's interpretation of that. You will find it in the third passage of John.

By establishing a national banking system, the use of national money and credit as the purchasing power of government and a regulatory control over the production and distribution of wealth, we aim to establish a God-guided and truly Christian democracy that will take its

inspiration from the truths of the Old Testament as they are presented by the teachings of the Carpenter of Nazareth. Under the changes proposed, government can provide the means of creating a life of greater abundance by hearkening to the ancient truth that taught men "to use and replenish the earth's resources" intthe service of and for the benefit of all mankind.

Now, in this broad programme of economic change, I speak for a large section of the community that have all gone bankrupt. The men that think as I do, and they mean to have their ideas put into effect, not only in the Dominion of Canada but in every civilized portion of the world - are courageously trying to meet the needs of the twentieth century.

During a period of economic stress such as we are passing through it is well to remember, my lord, that the inspired thought of inventive genius has moved the wheels of civilization forward ever since the beginning of creation. The onward march may pause at times and seem almost to stop, but only for a moment and it is on the way again. Just as we seem to near the end and to have exhausted all possibilities of further advancement, we find ourselves suddenly in the dawn of another era of glorious development that illuminates the universe with possibilities of achievement. As fast as we come to the understanding of one thing, just so soon are we broadened to appreciate and grasp another. Our opportunity to advance is in our ability to control the power to credit as a means of putting men to work distributing wealth

in the creating of cultural progress. Age after age thus adds its quota of achievement to the glories of the past.

We are not at the end of civilization; we are just at the beginning. We have only been flying around the world in less than a week, for just a few days now.

If the recommendations we have made to you are endorsed and put into practice by the Dominion of Canada the conquest of poverty will be recognized as one of the achievements of our day and generation. It will mark an epochal step in the progress of civilization which has already achieved the conquest of starvation and pestilential diseases. And, my lord, under this system that insurmountable problem of putting men to work, destroying others in material ways that come from unemployment, becomes a matter of practical demonstration. You say you cannot trust public men to manage it, men appointed by the government. Let me say one word on management: the administration of our justice; the collection of our revenues by public officials; the administration of the Board of Railway Commissioners; the administration of our Health Department; the maintenance of order are all conducted by men who, if they act unintelligently or dishonestly would disrupt our whole system. Can we as Canadians, along with Britishers, say with the greatest degree of satisfaction, that our public men once given a task and a responsibility to perform in the service of the people and the State have risen above the corrupt power of political influence and above

the corrupt power of self-gain. Why must we assume that we cannot manage credit by publicly appointed men. We have no right to assume any such thing. In any event we have no right to be in stagnation and starvation until we have tried that system.

Reginald McKenna has definitely and positively declared that we managed credit successfully during the war and that we can manage it to-day, and that no one should have the right to say that we cannot until we have at least tried and failed.

I venture to say that Roosevelt's programme will fail in the United States if it goes on as it is at present adopted. He cannot make that system work unless he takes control over public finance and takes care of the State and studies the situation in much the same way that I propose here.

If we in Canada are prepared to take the lead, no doubt the other nations of the British Empire will follow. We can establish some measure of real cooperation between the United States of America and form a league of English speaking people that can lead it along the way of Christian progress that can alone establish "Peace upon earth, goodwill towards men".

We should not forget that in the British Empire of some 500,000,000 people there are only 70,000,000 of British extraction. We have played a great part in leading a world of 200,000 million human souls, and if we want to inaugurate any reforms necessary to the progress of the future the opportunity is now our's. And, my lord,

the recommendations for it are to be found, if not in the main body of the Macmillan report then in one or other of the views of the members ot that Committee.

Under the changes proposed by this platform, a real measure of economic independence free from the depredations of the international money changers can be secured.

The medium of exchange will cease to be an instrument of appropriation and will become an instrument of distribution.

Confiscatory and burdensome taxation will be succeeded by the imposition of taxes only for the purpose of regulating the circulation of buying power. Taxes, tariffs and gold are relics, my lord, of the barbarous illiterate past. They hold no place in an educated civilization.

Trade will be free from war waged in trickery and deceit and can be conducted upon a basis of fair exchange. International trade can increase without developing wars of tariffs or otherwise.

Unemployment and the loss of consumers' buying power can be eliminated by the promotion of all manner of public works and social services. There is more work to do and greater opportunities for progress to-day than there ever were before.

Progressive prosperity free from the disruption of the trade and credit cycle can be maintained. The evils of inflation and deflation can be avoided.

Education, health and adequate pensions for veterans, mothers, and those who attain the age of retirement, and all other social services can be generously provided.

Why should we deny a pensioner something with which to buy food and shoes and clothes and shelter? Why cannot we set up a decent standard for the men and women who, through toil and labour, have earned the right to an even tide of life and comfort and contentment? Would that be a Christian thing to do? It is not practical in the cold profit-seeking economy of the banker because he places profits and bookkeeping entries above the right of man's peace and comfort. But Christianity does not, and humanity should not.

Governments can finance the pursuit of wisdom, culture and contentment, progress and prosperity, without ruining the property holder or bankrupting prosperity.

A balanced economy can be developed and the standard of living of those engaged in domestic and foreign trade and of those working in city and farming communities in proper relation.

We have met in this broad programme that we are suggesting to you the practical needs of the twentieth century, a programme that offers definite measures of permanent relief and aims to achieve the final solution of the economic problems that have brought about the existing disaster. Who do we hurt, who do we destroy? We destroy the right of an unrighteous monopoly to bankrupt civilization, and usury , and that is all we destroy; we we establish the right to peace.

Now, my lord, in your opening remarks you said people expect too much of commissions, and they expect more than they could get from them, even though they assume that we

are divinely inspired, which we are not. In all my studies, and my studies have been sincere, honest and unselfish, I have found nothing more beautiful or more clarifying than the lesson that Christ died when he drove the money changers from the Temple. To me, that epoch is one of the finest passages in history and to me it changed Christ from an enemic pale Christ into a powerful man. He saw the publicani standing between the government and the people of Rome and the government destroy the wealth of the people; he saw another branch of the publicani - the money changers - standing between the people and the government, and the Temple corrupt, and plundering the people. The intermediary condition which existed in the publicani and the money changers of 1900 years ago is identical with that which exists between the government and the people and our profit-making system. Christ knew that when he went into that temple to upset and to chase the money changers from the temple he would be crucified for his pains. His every action there proves for any man who uses logic as his guide that there was his Divinity. And then, my lord, what happened? The money changers went to work and did what They went to the priests and induced them to speak with Herod to induce Pontius Pilot to give the decree of crucifiction. Here Christ by upsetting the money changers in the Temple not only pointed out to men the danger of usuary and the danger of profit-seeking individuals standing as intermediaries between the government and the people but he deliberately planned that they should all place their

guilty conduct upon his head, and in that master stroke he give to us the one economic lesson that we can follow, the lesson that Christianity teaches, the lesson that will lead us to peace and plenty. That lesson may not appeal to you, my lord, because you seem to say that you are not conscious of any Divine inspiration. Let me say to you, if you will read the first chapter of the Book of Isaiah you will find a description of conditions to-day that might be helpful. My own wish is, and my own prayer to you, sir, is that before you do leave the Dominion of Canada you will be bless ed with that Divine assistance with which you canno fail and without which you cannot succeed.

THE CHAIRMAN: Thank you, Mr. McGeer.

MR. McGEER: I am very sorry that I took so long, my lord.

THE CHAIRMAN: Well, you had a good deal to say, Mr. McGeer.

We shall stand adjourned till a quarter past three and those who wish to address us then will be heard.

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The Commission adjourned at 2:15 p.m. to resume at 3:15 p.m.

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(Page 610 follows)

THE CHAIRMAN: I understand that we have a delegation of farmers who have responded to our invitation to assist us, and that Mr. Burrows and Mr. Ford are present here this afternoon, and will speak in their interest. Will either Mr. Burrows or Mr. Ford come forward?

MR. FORD: Yes, my Lord.

THE CHAIRMAN: Will you please come forward, Mr. Ford? I think you will find it better to speak from the table, if you will be good enough. Where is your farm?

MR. FORD: Pitt Meadow, British Columbia.

HON.MR. BROWNLEE: In the Fraser Valley?

MR. FORD: Yes, about twenty-five miles up the C. P.R. main line.

This is rather an embarrassing position for a farmer to be in, who is inexperienced in giving information before a Commission like this. If I had had the opportunity of being here and listening to others, and enabled to profit by what they might have done, I might have done better.

Another disadvantage I am up against is this; I did not know of this meeting until last night about ten o'clock, when I was notified over the telephone and asked to come. I believe I am about the same as the average farmer to-day. I get up at six o'clock in the morning, and I do not get to bed until ten or eleven o'clock at night, and I am so dead tired when night comes that I cannot think of going out to a meeting, and am scarcely able to sit down and read the paper.

Most of the farmers are the same, milking the cows until about eight or nine o'clock at night, Is it any wonder a farmer cannot become organized? He is different from the City man, who quits his work at five o'clock, and goes home and has his dinner and for about seven cents he can go to a meeting, but us poor fellows has had to starve. I have had a lot of experience for a common man like me. Years ago I was in the logging business and lumbering and real estate, and had quite a great deal of experience in mercantile lines before I went to farming, but now for nearly twenty years I have been making my living on the farm.

Now, from a farmer's standpoint I have not a very good opinion of banks. My opinion has been that when times are good farmers can borrow all the money they want from the loan companies, the trust companies, or private individuals - they will come out and shove the money on you.

In 1929 a bank manager - I will not mention his name - came to my place and looked it over. Now, I have a pretty nice place if I do say so - large buildings and soforth, and he said "I see you have over one hundred tons of hay. I know you cannot sell it." He said, "We have lots of customers who have a great deal of hay which they cannot sell. You have acres and acres of fine pasture. What is the matter? You need stock on here to feed this hay and grass to, and to get some fertilizer to keep on farming it." I said "Yes, I know, but it takes money to get these things, and I have been putting all my money into my place." He said, "Borrow it". I said, "The banks do not loan money to farmers."

He said, "Oh yes they do now; a short time ago we did not, but we do loan money now to farmers; how much would you like to borrow," and I said, Oh, about fifteen hundred dollars", and he said, "Fifteen hundred dollars would not do it - would not do you much good; you want five thousand dollars". Well, he argued with me and tried to show me where I could make a very good investment by borrowing five thousand dollars, and to cut a long story short I borrowed three thousand dollars.

Then the slump came in 1929, but fortunately I had some good seed, and I paid the bank up in full. When fall came I had another large crop and I had to borrow another couple of thousand dollars to carry me through and pay my taxes. Now, they have been after me ever since. I have it reduced down to about seven hundred dollars now at seven per cent. Now, that is the trouble with the farmers. He gets so tired he cannot think; he should stay at home.

Well, another disadvantage of the farmer is that he cannot get anything for what he has to sell. I went to sell seventy-two head of sheep and lambs here about a month ago. I called yp the LiveStock Exchange and they advised me to sell, and the quicker the better. They said they expected prices to drop. I said "What are lambs worth?" and they told me seven cents for spring lamb. A few years ago we would have got 18 or 20 cents. I asked them what ewes were worth, and they told me from six to six and one-half cents. I told them to send down their truck on Monday morning. This was on Saturday night. The truck came down on Monday and took the sheep.

I got there with the sheep at ten o'clock, and I saw a group of gentlemen standing there as I passed by, and another man asked me if I know who those fellows were over there and I told him No, He said, "That is P. Burns, and S wift and the Pacific Meat, and the rest of the meat companies, and they are setting the price; every Monday morning at ten o'clock they come over and set the price of sheep and cattle, or whatever you have to sell. There was a gentleman from Coloma who had a carload of two hundred or more head of lambs. About an hour later I found the price had dropped from nine cents to seven cents, and ewes from six cents to three cents. S o I had lost three dollars on every hundred pounds of ewes over Sunday - the price wassix cents and six and one-half cents on the Saturdaybefore. I lost $2.00 on every one hundred pounds of lamb. Now, the meat companies paid far more in the winter than they are paying now; when cattle and sheep start getting fat down goes the price, but up goes meat. Before this one could get a good round steak for ten or twelve cents a pound, and now it is going up, and I am paying about 17 cents for round steak. I felt quite good then, thinking times were going to get better and the farmers would be better off. Imagine my surprise to find that what the farmer has to sell is only worth about half of what it was. It is going down all the time. That was the difference in the cost between what they are paying the farmers and the selling price - about 400 per cent. difference. How in the world can a farmer

live when he is up against a trust like that? Well, gentlemen, I would take off my hat before any body of men, a hold-up man, a highway man, a bank robber, or a train robber, and call him a gentleman compared to those men, because these men rob under the guise of the law. The bank robbers and the thief and the hold-up man has to have more or less courage; he takes his life in his own hands when he goes out, but these fine gentlemen ride around in their fine cars, and are highly honored in the community, while the highway men get sent down. All the highway men get is what is on your person which does not hurt you very much as a rule, but these other organizations are taking a man's farm, the roof from over his head and that of his family, and food from the mouths of his wife and children.

We are starving to death to-day all over this country. People are dying rapidly. They do not give the credit for that to starvation and worry, but a large percentage of it is due to that, and it is increasing all the time.

Now, with regard to bank loans. In 1931, that is, a year ago last December I had some taxes coming due. I was behind on some property I had and I only had a couple of weeks to redeem it from being lost through taxation, and it reverting to the government. These were for dyke taxes. I had in a certain bank seven or eight hundred dollars on deposit, and when my potato-digging time came and harvest-time came it took most of that to pay off the harvesters.

I went to my bank in Vancouver and the Manager greeted me very pleasantly. I said, "How is money now?"

and he said, "Pretty tight." I said, "I am owing about four hundred dollars in taxes and I have only three hundred dollars to pay it with, and I want to borrow one hundred dollars." He told me he was sorry but they were not loaning any money then. I told him I would give him all kinds of security, but he said he was sorry they were not loaning money. I said, "I have a farm of sixty acres with a new house on it mostly all cleared with fine alluvial soil, on the river bank; no better land in the Province, clear of all encumbrance except this little taxation. I will give you that." He said, "No, we are not loaning on it". I said, "Well now, I will tell you; I have another twenty acres just a mile from my place that is all clear of encumbrance, and I will put that in, under indefeasible title, assessed at fifteen hundred dollars", but he said, "We are not loaning any money." I said, "I will tell you; I have another ten acres on the Woolidge Road, you can ride by that on the way to the city, it is fine alluvial soil and is clear of all encumbrance except for this taxation. It is worth ten or twelve thousand dollars at least, I will give you that too." He said, "No". I said, "I have only to the first of the year to pay this or it will revert to the Government; do you mean to say that you will see me lose this property for the sake of a measly hundred dollars?" He said "Yes, we are not loaning any money at all."

Now, in regard to municipal loans: people in my municipality happened to have confidence in me, and they seemed to think I had good judgment - whether I had or not, and they put me on the School Board, and they

had me on there for four years, and then they put me in as councillor, and then a couple of years ago they put me in as reeve, and then I guess I did not suit them too badly, and they put me in as reeve again last term.

We are paying seven per cent. interest - our municipality; we have people there who are willing to work and want to work, just the same as all over the country, but they cannot get work. I have even had my life threatened if I did not give them groceries and food to eat. We have had to do the best we can and have been helping them out so far.

The condition we are in now forms the greatest crime school in the history of the world. It is making criminals out of our young girls and young men of all classes.

Now we farmers are a long-suffering class of people; the average farmer does not want to fight; he does not like war. He is a peaceable animal, as long as he gets enough to eat and some rags to cover him, he is well satisfied. But when it comes down to losing his home - well, you talk about Socialism and taking the homes from the people; under the present system we are losing our homes. They will revert to the government; and when that happens, I do not care how peaceful a man is, when you take the roof from over his head and from over the heads of his wife and children, and throw him out - that man will "see red".

A lot of people are worrying a lot about Communists. Well, the Communists are not a class for you to be afraid of. The class the Government wants to be afraid of is

the business man, the lawyer, the doctor, the farmer; hundreds of lawyers and doctors, I understand, are in the bread line in Vancouver. Take a class like that; they will not stand this forever, but unfortunately they cannot see the handwriting on the wall; they are blind like Nebucadnezzer; they will see it when it is too late.

I was talking to a man in the Hotel Vancouver just a few minutes ago. He is a good Conservative. I helped to elect Bennett myself; - I do not know whether I should boast of it or not - but we were talking about Woodsworth speaking here on Sunday, and when this man found that I was the Reeve of Pitt Meadow, he was not afraid to speak. He said, "My friend, I will vote C.C.F. myself; you will be surprised at the people who will go C.C.F.; my banker does not know it; he tried to pump me the other day to find out how I felt, but I did not let him know, neither do I let the other business men know."

Now, gentlemen, I do not want to encroach upon your time as there are lots of other speakers and now you know the feeling of the farmers. When it comes to taking the roof from over my head, that does not teach me to love the Government; these times are not breeding any loyalty toward the Canadian flag. Our Government have for years and years preached getting a Farm Loan Board to help the farmer, but what did they do? In good times, in 1928 and 1929 and 1930, they started loaning. I was one of the poor victims myself. Now when times get so a man cannot get his own living

they swoop down to take my farm away from me. They had me in the appeal court at Victoria. I went over and fought the case, and fortunately I had a nice decent judge, and I won it.

THE CHAIRMAN: Thank you. There were one or two other gentlemen who wished to speak. Is Mr. Edwards here? We will be particularly grateful if he can tell us about his special relationship with banking. That is the subject in which we are especially interested.

MR. EDWARDS: I was asked to find a number of farmers as witness es to-day, and I endeavoured to get a group of farmers to come down from Chilliwack, possibly the most fertile district of the Fraser Valley. The time was short, and I did not know of it until the middle of yesterday afternoon when I was called in from the hay fields. I did the best I could, and I think when you hear from Mr. Burrows and Mr. Thompson, you will agree that I did not waste any time.

I also endeavoured to get another witness, the Reeve of Chilliwack. I wish he had come, because he is a returned soldier, the same as I am, and a very capable man, who had an unfortunate experience with our bank.

In my own personal relationship with the banks, I have nothing to complain of. Since I first came to Canada some twenty-five years ago I found the Canadian banks very efficient and very courteous. I am sure insofar as your findings are retroactive, they will probably be along the same lines. However, they have to be constructive.

I will mention one or two things not in a spirit of ill will towards the banks, We must find improvements, but we cannot do that by trying to destroy everything which exists to-day. The point I wanted the Reeve of Chilliwack is this; However, he slipped out of it in this way. He was afraid to come before you expert gentlemen, who might start to cross question him and ask him for dates and precise figures, and "take him for a ride". He was told that the Union of the British Columbia municipalities was going to present their case to you, and the ground he would cover would be duplicated by that presentation.

I do not take the view that the Union of British Columbia municipalities covers all the municipalities in British Columbia. Some of them have a different slant on this matter than others.

In Chilliwack they collect their taxes around the first ofNovember. Of course, they have to pay wages throughout the year, and early in the year they go to the bank to negotiate their loans. For years Chilliwack has been one of the best municipalities in Canada with regard to the collection of taxes. I believe it is true that our percentage of tax collection in Chilliwack is the highest in Canada, therefore, it is not a hard-luck area.

That same year in January they went to the bank, or as soon as the new Council was elected, and they applied for the usual loan, which, in round figures was ninety thousand dollars. The bank had been making this loan for some time. Finally they gave them this answer,

"Your loan will be seventythousand dollars; your overdraft is somewhere about twenty thousand dollars; out of this seventy thousand dollars, the twenty thousand dollars will have to be deducted;"in other words the municipality received fifty thousand dollars in place of the ninety thousand dollars. The bank also insisted that the mill rate should be kept up high.

I am speaking as a director of the producers' organization, and I hope I am not entirely wasting your time when I give a summary of the sale of milk in this area.

In 1917 the farmers of this valley organized to sell milk in fluid form and manufactured form, that is, butter, cheese and condensed milk. At that time some seven hundred of them joined together and in that first year they sold approximately one and three-quarter millions of pounds of butter fat, and for that they received a little over one million dollars. The next year they sold about two million pounds of butter fat, for which they received a little over one and one-half millions of dollars. Between those two dates their production has increased three hundred per cent., and in 1931 they marketed six million pounds of butter fat. The highest point in their receipts was in 1930 when they received two and one-half million dollars. Now they have fallen down in their receipts to the 1918 figure, and in 1932 they received again about one and one-half millions of dollars, but for three hundred per cent. more production. Viewed from a different angle, their average receipts for ten years were fifty-three cents

per pound butter f at; their receipts last year were 28 cents per pound. This year it is slightly higher. To-day the rate is thirty cents.

Here is a point with regard to the farmers; he has a tremendous reduction in his income, but living under the highest prices. Take for instance, the Chilliwack Valley. When I returned from the war in 1920 I paid $250 an acre for my land - that is about fifty pounds. Now, you have to meet certain interest charges, and one of the heaviest charges is taxation. I wish to return to the point as to how this has affected the farmer, when the bank said to the Chilliwack municipality, "You can only receive $50,000".

The butcher came into my yard - oh, by the way, there is another point I wish to bring out, which should come in the evidence of the municipalities. There is a fifteen per cent. penalty tax if the tax is not paid within thirty days. My taxes, we will say, are around $300. If I do not pay those taxes within thirty days, it cost me about$45.00 more. That to my mind is a thing which should never be permitted. It is a regulation passed by the Provincial Government, which might have been all right in good times to force the farmers who had the money in their pockets to pay their taxes promptly, but the result is this, that the farmers who have not the money and try to borrow it in order to avoid that fifteen per cent. penalty tax find themselves facing a rather serious situation.

What did the banks do - and I am speaking as a friend of the banks, and one who has received every

consideration in public and private life, but when the bank says they will not loan you money to pay your taxes, the butcher said to me, "I have loaned out $500", but what does that mean? It means that he had bought beef all over that valley at his own price. He had advanced the farmers $500, and in return they had given him cattle, probably at a reduced price. The butcher went to the bank and got the money; no doubt about that. It is well known, of course, that a business man can go to a bank and get money. The difficulty he is under, as you know, is that his credit must bear some relation - I do not know whether the speaker this morning realised that - but his credit must bear some relation to the securities or assets. The farmers' assets are usually frozen. If you sink Twenty thousand dollars into your farm, you cannot get any credit on it. The banks are not mortgage companies, and are not very anxious to advance money on land; they will on stocks and bonds, but are not anxious in Canada to advance money on farm land. Nevertheless, here is the position of the farmer who has tied up his money in his land. We put on certain improvements in the house, and the municipality sent me a tax claim for ten thousand dollars for special improvements. I disputed that claim because it was far in excess of the value of the building, and it was reduced, but nevertheless it stood at six thousand five hundred dollars for improvements.

Now, in many cases farmers have not paid for their improvements. We will say that the farmer has reached the place where he has a barn, and the barn inspector comes around and says, "Yourbarn will not pass

the necessary grade; it is time to build a new barn". He has not paid for it in full. If the municipality says "there is an eighty-five hundred dollar barn" they tax him on it. The farmer is caught every way. He has t still complete the payments on the barn, and at the same time go on and pay the ta xes on the improvement, and many times he has not the necessary knowledge to dispute the notice of that kind. They get a notice that the Court of Revision will be sitting on such-and-sucha day, but they a re not familiar with the procedure and they do not appear.

From a practical standpoint, I wish to point out that the interest rate is a tremendous burden. What is the interest rate? Nominally, it was eight percent. The tendency of the bank is to try and shorten up the term of the loan. As soon as the depression hit us, farmers who had loans for, say, six months, when they went to renew them were told they could only have them for three months, or two months, or one month. Actually that interest is compounded, and the longer the period of the note the greate the difference between the rate of interest originally and the rate compounded. If the farmer had a mortgage at seve percent, it would mean that on every hundred dollars he would have to pay seven dollars, but if he has a note at seven percent, and failed to meet it, he would have to pay interest on the interest, as well as the principal. That, of course, is a very heavy burden to the farmer.

I think, as was pointed out, every sound business man tries to reduce his costs in proportion to his income, but there are certain costs which he cannot reduce, such as

taxes.

Several of the rate payers in our area met and told the Council, "You cannot have the money; you must reduce your mill rate"; they said "Yes, but wait a minute; when we go to the bank and ask for the loan, the bank will say 'no'; they will say, 'we cannot do that'". "Well," we said, "it comes to the same thing; if your mill rate is too high, your percentage of collections will be lower; and if your mill rate is lower, your percentage of collections will be higher", and we succeeded in getting a reduction of about three percent in the mill rate.

The municipality of Chilliwack got along, but the roads were neglected bridges were neglected, and that is a very dangerous thing, and in the end is a very costly thing, because some of you are experienced in Canadian conditions, and know that gravel roads ought to be kept up all the time; you cannot allow a gravel road to go until it is practically gone and then rush out and put a new surface on it. The same thing applies to bridges. If you allowa bridge to go to the point where it collapses, you have a greater expense, than if you keep it in constant repair.

I hope I am making some points which are of service to you gentlemen, but I think the particular one is this; personally I have found the banks sympathetic, maybe because I can tell a better story than some of the others of the less fortunate farmers. But the banks want to go a step farther. I know the Commission thoroughly understand the principle of the Co-operative Bank of Germany. Chilliwack, for instance, should have its own bank, and the surplus money would be invested in the bank, and they

could have a local committee expert in farming, and if a man goes to them for a loan, for a certain purpose, that committee could enquire into the purpose, and if it is found reasonable they could advance the money. That is what we need, men expert in agricultural matters, and when they get an application for a loan, the men expert in agricultural matters, not necessarily a trained bank manager could guide them considerably.

I think that is about as much as I care to say at the present time. If any of you gentlemen have any question you care to ask me, I will be very glad to answer them if I can.

HON. MR. BROWNLEE: How long have you been farming in the Chilliwack Valley?

MR. EDWARDS: Since 1920.

HON. MR. BROWNLEE: In any of your banking accommodations since that time, what was your rate?

MR. EDWARDS: Eight per cent. until this year, and even this year trade paper is still eight per cent. on the farm. We took some farms in 1930, when they were doing really well and invested two or three thousand dollars in agricultural implements, tractors and soforth and so on, and the trade paper was eight per cent. Now the reduction has been to seven per cent., but the trade paper is still standing at eight per cent.

HON. MR. BROWNLEE: State to me very briefly what the nature of your assets consist of, how many acres have you in the Valley.

MR. EDWARDS: Seventy-six acres.

HON. MR. BROWNLEE: What live stock?

MR. EDWARDS: I carry about sixty head of live stock, mostly cattle; four horses. We generally milk anywhere from twenty-five to forty-five cattle. Of course, we have breeding stock, too.

HON. MR. BROWNLEE: Would you mind handing to the Secretary some time this afternoon a statement of what you have against those assets; in other words, what you present to the bank when you gofor a loan?

MR. EDWARDS: I do not think that is necessary. I am not speaking purely on personal matters.

HON. MR. BROWNLEE: The only reason I was curious was from the standpoint of assets, and to find what justification there might befor a rate of eight per cent.

MR. EDWARDS: It is seven per cent. now; it was up to eight per cent. up to the end of 1932.

HON. MR. BROWNLEE: Is that a pretty general rate throughout the Valley?

MR. EDWARDS: Yes, apart from this trade paper where the man has passed a note for machinery and so on.

HON. MR. BROWNLEE: I understand you are a directo of the Fraser Valley Milk Producers Association?

MR. EDWARDS: Yes.

HON. MR. BROWNLEE: In regard to your associate members - the other members of your Association -- would you say that the eight per cent. rate up until recently was a fairly uniform rate regardless of what assets they might have to show.

MR. EDWARDS: I think so,

HON. MR. BROWNLEE: There was no variation in the rate?

MR. EDWARDS : No.

HON. MR. BROWNLEE: You say not?

MR. EDWARDS: No, only in so far as I pointed out that when the terms of the notes are shortened up, the compound rate of interest becomes higher.

HON. MR. BROWNLEE: Just one other question: You referred to the Chilliwack municipality: Was your experience the same as that of Mr. Ford? What rate do you pay?

MR. EDWARDS: I am not on the Council, but I think it is six per cent.

THE CHAIRMAN: We are very much obliged to you, Mr. Edwards. You have given us some useful information.

MR. FORD: I can give you some information about the security.

THE CHAIRMAN: Can you answer Mr. Brownlee's question?

HON. MR. BROWNLEE: I am not anxious to have it stated here, but if you can let the Secretary know some time before the meeting adjourns --

MR. FORD: I paid eight per cent. when I had three thousand dollars; I would have paid eight per cent. if I had got five thousand dollars. I had about nine thousand dollars in security and stock. Now it is seven per cent. but I still pay eight per cent., and everybody else pays eight per cent.

HON. MR. BROWNLEE: You were speaking of an application to the bank for a line of credit, and you spoke of different assets.

MR. FORD: That was real estate.

HON. MR. BROWNLEE: Were those assets fairly well cleared of encumbrance?

MR. FORD: Yes; there was not a dollar on any of them.

HON. MR. BROWNLEE: Are we to gain this impression from yourevidence, that as a farmer, with a going concern in the Fraser Valley with assets clear of encumbrances, valued at a substantial amount, you could not secure $100 on your personal note?

MR. FORD: No. I could not get it on a personal note with all of that property thrown in. They absolutely would not take any security or make the loan.

THE CHAIRMAN: We have three representatives from the corn-growers,and I see it is headed by Mr. W.F. Thompson, the President of the Corn Growers' Association. Is Mr. Thompson here?

MR. THOMPSON: Yes, my lord.

THE CHAIRMAN: Would you like to add something to what we have heard?

MR. THOMPSON: Your lordship and Members of the Commission: I have been farming up in this fertile Chilliwack Valley for a number of years, and I am not worrying about remuneration to-day, because if I had remained at home I would not make anything anyway, so I am here quite contentedly.

As a member of the Corn-Growers' Association, I may say that we have found it difficult to finance our operations. We took over a plan from the Brodeuer Canning Company, which had found they were unable to operate it, for financial reasons, after the 1929-1930 crisis. They rented it to us at a nominal fee of one dollar per year. We had an area which would produce first class canning corn, and in order to further increase

our income if possible, decided that outside of ordinary mixed farming we would go in for corn growing.

For two years under Mr. Brodeubr we found he had grown successfully a first-class corn, and in 1932 we rented this plant from him in Chilliwack, a forty thousand dollar plant, for the nominal sum of one dollar per year rental. He wished to hold the plant for probable future use, and we wished to continue growing the corn. It meant considerable income for this locality and it meant an increased income to each individual.

We grew in 1932 twenty-eight thousands cases of corn from two hundred and ninety-seven acres.

Now, we had been promised financial aid to operate this cannery which meant from twenty thousand dollars to thirty thousand dollars cash, to pay for the help, and the cans and the taxes and the insurance in the spring when we took it over. We had planted the corn and cultivated it and had it ready for canning in the fall, when we found out that this financial support was practically withdrawn. It had been promised on the condition that if we could produce bone fide orders for fifty per cent. of our canned crop, the financial assistance would be forthcoming from the bank. We did that; we had signed orders from good responsiblewholesale house and presented these for the loan, but it was turned down, and we were left a few weeks before canning operations should begin with practically no funds to carry on. However, Kelly Douglas Company in Vancouver came to our assistance and loaned us three thousand dollars and through the National Storage Company,

a warehousing company, we were able to carry on last year - in 1932. The National Warehousing Company became responsible for everything which went into the plant and everything which went out, so that the people who manufactured the cans and the labels and the boxes and the containers were protected and the bank insofar as they had loaned us a small amount of funds. The assurance the bank wanted before advancing any considerable loans was the individual notes of practically all the farmers who were interested in the canning operations. We had about eighty farmers of some considerable means. We had the crops signed up by contract, so that there was no doubt but that the crop from this planted area had to be turned in for canning operation when grown. We found ourselves without financial help until the Kelly Douglas Company came to our assistance; otherwise I do not know what we should have done last fall.

The sad plight of the corn-growers is that the banking system with its thirty days and three months terms does not give any particular assistance. We planted this corn a year ago last May and June; we cared for it; we picked it; we transported it to the cannery, and canned it, and now it has been all sold with the exception of about twelve hundred cases, and the farmers would not have been able to receive a cent to help them out if it had not been that the Company, the Co-operative concern, -- issued script last January to care for the farmers during the winter. They were in many cases badly in need of money for groceries and clothing, and in order to avoid accepting

orders in their accounts in the cannery they decided it would be good business to issue script, which was accepted by the merchants of Chilliwack for goods, and by the garages and other business men of Chilliwack, but not by the banks. They are accepted by some municipal councils for taxes - that is, for certain taxes, for dog taxes and head taxes, and taxes of that nature. This left the farmers with the script of about sixty per cent. of the guaranteed price of the corn, eight dollars per ton, which amount they received in January - six dollars per ton in script. The merchants carried this script because they could not cash it at the bank, because they were fully assured we were as much behind it dollar for dollar as behind the Canadian dollar, because the canned corn was there and amply protected by the National Warehousing Company for everything which went in and went out.

(Page 645 follows)

The corn was there and it was amply protected by the storage company. There were warehouse receipts for everything that went in and for everything that went out. If we could have a system that would enable the banks to advance readily on our products it would help the man who is right down to the ground to-day producing the raw products of Canada. We are in the same fix this year. The corn is coming on well; we have a greater acreage, but we can obtain only a very small loan at the bank. We have to pay all the help for fifteen days at least, and the cans and containers are cash and that has to be provided for. Our corn is signed up this year the same as last year.

HON. MR. BROWNLEE: When is the danger of failure in connection with a corn crop? At what time of the year? When is the danger past?

MR. THOMPSON: In September, this past year. We have never had any serious freezing.

HON. MR. BROWNLEE: Have you any arrangement with your marketing company similar to what our sugar beet growers have in Alberta, by which they are prepared to accept orders or to give any guarantee at all on your costs of putting in and taking off the crop?

MR. THOMPSON: You mean the Co-Operative Association?

HON. MR. BROWNLEE: You deal entirely through the Co-operative?

MR. THOMPSON: Yes.

HON. MR. BROWNLEE: And they have no method by which they can guarantee you a certain advance during

the year as our sugar beet growers on the prairie have?

MR. THOMPSON: No. They cannot get financial assistance. The government and the banks will not do anything.

HON. MR. BROWNLEE: There is no capital?

MR. THOMPSON: No capital at all. We have $40,000 in corn.

HON. MR. BROWNLEE: How many members have you?

MR. THOMPSON: Eighty.

THE CHAIRMAN: Very interesting. Thank you very much. I understand that Mr. Hope has some contribution to make. Is he present?

MR. C. E. HOPE (Vancouver): I was listening to Mr. McGeer this morning and I would like to endorse the position that he took and lay more particular emphasis on the question of taxation. The taxation burden is getting so serious that whether we have a return to prosperity or not I do not think it can be borne very much longer. I have been in business here ever since 1890. I have been through two major depressions and through a number of small ones, and I have records extending back a great many years. I have four or five properties in Vancouver and two in the country, one my own farm. I would like to give you a few of the taxation figures on those properties. The taxation in 1917 on one of those properties was $67 as compared with $105 to-day; on another the taxation was $37 as compared with $67; on another $47.50 as compared with $95 to-day; on another $8.50 as compared with $15.80 to-day; on another, and this is my own farm, $3 as compared with $6 to-day.

One of those parcels was taxed $10.80 in 1902, $47.50 in 1915, and $95 to-day. That is, that the taxation has doubled every fifteen years. A return to prosperity may enable us to carry that indebtedness, but if the taxation goes on increasing at the same rate the condition will be far worse than any we have now. In the city I have four properties, for instance, and I was paying taxation on them in 1900, $30.80 as compared with $736 to-day, and the rent is just the same now as then. On another one the taxation is $19.20 and is $177 to-day. On another the taxation was $21.20 and is now $317; another $19.20 as compared with $123.60 to-day. The returns from these properties are the same in some cases and in others almost the same; there is no appreciable difference. Another fifteen years will necessarily see a lot of these properties not being able to be carried at all.

I listened to Mr. McGeer this morning, and he drew a picture more particularly of the burden of fixed indebtedness. We all know the position and how it was brought about; it is because of the bank note issue. But Mr. McGeer did not as I could gather make any concrete suggestion how he would get over that difficulty outside of the Bank Act.

I have three suggestions to make in that connection. One is based on my experience in the Old Country forty-five years ago when the Public Utility Companies were not allowed to change their financial structure or sell their bonds or shares to the public or mortgage their property without the consent of the Board of Trade,

and that Board of Trade did not give their consent unless they were quite sure that the money raised from the public was really going into assets and that the assets were really needed. The object was very simple. It was to prevent the watering of stocks. That practice I assume is being followed to-day, and my suggestion is that a similar opportunity should exist in Canada because it is only when a public utility company have earned sufficient that they have the right to sell their securities to the public or to borrow money under unfavourable conditions.

COMMISSIONER LEMAN: Are you speaking of municipal bodies?

MR. HOPE: Of any private corporation selling shares or bonds.

COMMISSIONER LEMAN: Not public bonds?

MR. HOPE: No. We all know that one of our troubles in Canada has been the creation of fictitious credits which later were sold to the public, and it became based on bank borrowing, and so forth. In other words, you borrow $100 and then call it worth $200 and then sell it to the public for $200. That has been done over and over again and a good deal of this $200 stuff was in the form of a bond when it got into the hands of the public, a bond with a fixed interest bearing charge on it. That charge to my mind is one of the major causes of the present depression. I cannot see why any private corporation, even a bank, and certainly not anybody else, should be allowed to create fictitious credits of that nature for it is really the same thing as money

itself under present conditions of business and money. Why should a private individual or a private bank be allowed to create something which for all practical purposes is equivalent to printing money? If that had been done ten years ago we would have fewer colossal fortunes in Canada and we would have had since 1928 and 1929 a great many more capitalists who are ranked to-day as small capitalists.

COMMISSIONER LEMAN: Do you think there has been any shrinkage in some of the colossal fortunes?

MR. HOPE: Yes, but as long as the fortunes do not shrink too low they will come up again when the depression passes. It is only those who have gone below the datum line, so to speak, whose fortunes cannot come back. In my experience we have never had a depression without a boom preceding it.

The other suggestion I wish to make might be looked upon as a little radical, perhaps a little ahead of time, but I cannot see any reason why the wages of capital should not have a fixed maximum, not to prevent profit-making at all, because I believe in profit-making, but the profit should not be distributed to the owners of the capital beyond an agreed upon percentage. For the sake of argument we will say 10 per cent. That is to say a company could make all the profit it could make without any let or hindrance, but it should not be allowed to distribute more than 10 per cent of the value of its real assets, not necessarily its nominal capital. Something of that kind was in force in Great Britain before I left home, in connection with a gas company. The company

making large profits should be allowed to build up its reserves to any extent the board of directors may think desirable but it should not be allowed to distribute more than ten per cent of the original assets, and when the reserves have got up to a sufficient point the banker should be able to transfer the amount without question to a foundation or trust to be set up, and that money could be used in capital expenditure on communal activities such as schools, roads and so forth by a board of directors composed of the directors of the company. These expenditures should be confined to non-liquidating assets. That would have several results. In the first place it would enable municipalities and cities greatly to reduce their taxation in the course of years, because they would not need to borrow any money. Of course it would take some years for this to develop except in the case of enterprises which would liquidate themselves, such as tramways or whatever they wanted to go into. It would also have the effect of cheapening money because there would be a smaller demand for bonds. That again would help the taxpayer, because it would make the shares of such companies rest on a safer foundation, and they would rank the same as bonds to-day do and possibly better than some bonds.

There is another matter, although this has no direct bearing on the issue with which the Commission is dealing. There is distinctly a lack of a public service complex on the part of men of higher ability. I have served on boards of school trustees both in Vancouver and in the Old Country and on municipal bodies, and in the

face of the Vancouver City council and the Board of School Trustees -- this is not casting any aspersion on any man sitting on either of those bodies -- there is not I consider one man of outstanding business ability or character. That has been the case for a greater or less length of time, although it is getting a little worse I think. A man of high ability will not stand for election.

THE CHAIRMAN: I am afraid we cannot correct that.

MR. HOPE: The next point I wanted to bring up was something that would fill the gap in the meantime and take care of the present unemployment until such time as things begin to pick up again. My suggestion is that the Dominion government should bring into a revolging fund a certain amount of money, without a gold backing. I have always been opposed to inflation but I see no objection to printing money without a gold backing provided it is for a definite purpose and provided there is a definite time when it will be repaid. The idea would be to lend this out to municipalities for non-liquidating works with the consent of the ratepayers as is the case now, with the O.K. of the provincial government and the O.K. of the Dominion government, and when these conditions have been satisfied the government will lend this money without interest to be repaid at the rate of five per cent per annum over a twenty year period. It would not be necessarily lent as it came in. It would depend upon the circumstances of the times. If the times were prosperous it would not be re-lent. If the times were bad they might lend a little more liberally. That

would take up the slack in unemployment and help along the time when it would not be necessary for municipalities to borrow anything like so extensively as they do now.

There was one other thing I was going to say and that was with reference to a national bank. I have heard a great deal about it and I have read a great deal about it. I notice in the pamphlets sponsored by bankers there seems to be a general impression that if such an institution were created the banks themselves would have to supply the capital and the banks also would be largely if not entirely responsible for its management. I wrote to Australia to find out what the Australians were doing in that respect in their Commonwealth Bank. Possibly the members of the Commission know more about it than I do but the Commission might be interested in hearing the reply I have received from Professor Copland, the Chairman of a commission somewhat similar to this. He writes:

> Who provided the capital? The capital of the Bank stands at 4,000,000 pounds, which was transferred to capital account in 1924 from the reserve fund. Further capital is authorized as follows - (a) £10m. to be raised by debentures; (b) £6m. to be advanced by the Commonwealth government; but so far no advantage has been taken of either of these provisions. At present, therefore, the capital of the bank has been provided by the bank itself from its own activities. In the early stages capital was unnecessary, for the bank held the government account and also

worked with the deposits of the Savings Bank Department, in which there was considerable profit.

I also asked this question? Who appoints the directors and in what way, and his reply was:

The Governor and seven directors are appointed by the Governor-General. Of these seven, one must be the secretary to the treasury and the other six must be, or have been, actively engaged in agriculture, commerce, finance or industry. Directors and officers of banking establishments are ineligible. Appointments are for seven years and directors retire in rotation. The appointments are, of course, actually made by the cabinet and may be subject to political control. Up to the present this has not been a serious consideration.

I have read this, my lord, as a matter of information.

THE CHAIRMAN: Thank you.

MR. W. C. PRITCHARD: My lord and gentlemen of the Commission, I want to say at the outset that I am going to be very brief.

THE CHAIRMAN: I understand that you have some memoranda before you?

MR. PRITCHARD: That we have to present is already in the hands of your secretary, my lord.

THE CHAIRMAN: Would you like me to read it?

MR. PRITCHARD: I would like to say one or two things about it.

THE CHAIRMAN: I will read it if you like. It might be as well. It is very short, I see. Mr.

Pritchard is representing the Co-operative Commonwealth Federation (B.C.Section). His memorandum is as follows:

CLAUSE 2 -- SOCIALIZATION OF FINANCE

> Socialization of all financial machinery--banking, currency, credit, and insurance, to make possible the effective control of currency, credit and prices, and the supplying of new productive equipment for socially desirable purposes.

Planning by itself will be of little use if the public authority has not the power to carry its plans into effect. Such power will require the control of finance and of all those vital industries and services, which, if they remain in private hands, can be used to thwart or corrupt the will of the public authority. Control of finance is the first step to the control of the whole economy. The chartered banks must be socialized and removed from the control of profit-seeking interests; and the national banking system thus established must have at its head a central bank to control the flow of credit and the general price level, and to regulate foreign exchange operations. A National Investment Board must also be set up, working in co-operation with the socialized banking system to mobilize and direct the unused surpluses of production for socially desirable purposes as determined by the Planning Commission.

Insurance companies, which provide one of the main channels for the investment of individual savings, and which under their present competitive organiza-

CLAUSE II -- TAXATION AND PUBLIC FINANCE

> A new taxation policy designed not only to raise public revenues but also to lessen the glaring inequalities of income and to provide funds for social services and the socialization of industry; the cessation of the debt creating system of public finance.

In the type of economy that we envisage, the need for taxation, as we now understand it, will have largely disappeared. It will nevertheless be essential, during the transition period, to use the taxing powers, along with the other methods proposed elsewhere, as a means for providing for the socialization of industry, and for extending the benefits of increased social services.

At the present time capitalist governments in Canada raise a large proportion of their revenue from such levies as customs duties and sales taxes, the main burden of which falls upon the masses. In place of such taxes upon articles of general consumption, we propose a drastic extension of income, corporation and inheritance taxes, steeply graduated according to ability to pay. Full publicity must be given to income tax payments and our tax collection system must be brought up to the English standard of efficiency.

We also believe in the necessity for an immediate revision of the basis of Dominion and provincial sources of revenues, so as to produce a co-ordinated and equitable system of taxation throughout Canada.

An inevitable defect of the capitalist system is the debt creating character of public financing. All public debts have enormously increased, and the

fixed interest charges paid thereon now amount to the largest single item of so called uncontrollable public expenditures. The C.C.F. proposes that in future no public financing shall be pwemitted which facilitates the perpetuation of the parasitic interest-receiving class; that capital shall be provided through the medium of the National Investment Board and free from perpetual interest charges.

We propose that all public works, as directed by the Planning Commission shall be financed by the issuance of credit as suggested, based upon the national wealth of Canada.

I hope I have done justice to the resolution.

MR. PRITCHARD: Thank you, my lord. I would like to say one or two things in connection with the presentation of those two clauses. The character of the clauses shows that they can be considered only in connection with the other clauses that form part and parcel of our manifesto. That manifesto necessarily is a political document and was not drawn up for the purpose of being presented to this Commission, but I thought that from the provincial point of view the best thing to do would be to present the clauses as they have been here presented, considering as we do that the question of finance is entirely a national one and not a provincial one.

So far as the provinces are concerned we are persuaded that facilities should be created so that a provincial government that was so minded would be permitted

to enter into the banking business on exactly the same basis and with all the privileges and of course all the responsibility of the present chartered banks of Canada.

HON. MR. BROWNLEE: They can do so now, can't they?

MR. PRITCHARD: They can apply for it, and the question is will the application be considered in the light of the circumstances governing the application. I take it from Mr. Brownlee that that can be done.

HON. MR. BROWNLEE: I do not know anything that would stop a provincial government from organizing a bank under the present Bank Act providing they put up the capital.

MR. PRITCHARD: That will be very interesting news to a considerable portion of the people of British Columbia.

HON. MR. BROWNLEE: I do not think they could set upon anything which would operate outside the Bank Act. It would have to conform to the Act.

MR. PRITCHARD: I agree with what has been said here by representatives of the municipalities. I was for some time in municipal life in the province and was for two years president of the Union of British Columbia Municipalities.

HON. MR. BROWNLEE: You are connected with North Vancouver too?

MR. PRITCHARD: I am reeve. I do not want to add anything to the memorandum because the Union will present its own case. I am only one concerned. I wanted to be brief, as I said. Brevity is the soul of wit, and sometimes I think it is the part of wisdom. I wanted to

be brief for two reasons: First, because the position of our Federation will be presented to you either in Montreal or Toronto, or at both places, by Professor Fossey of the Department of Economics, McGill, or a professor from the Department of Economics, Toronto University, because we consider this to be a national question. Both of those gentlemen were instrumental in drafting the manifesto of which these two clauses that have been read form a part. Outside of that we have nothing to offer except to add that those two clauses be entered in the record of this Commission. I know that this Commission could not possibly bring into operation what is called for in these clauses, and I doubt very much whether the Commission would even recommend what what is mentioned in these clauses should be brought in. These two clauses form part and parcel of the manifesto which was designed to reach the public intelligence of the people of Canada, which we are convinced is on the increase.

THE CHAIRMAN: The next name that has been handed to us is Mr. J. H. Creighton, representing the Teachers' Federation.

MR. CREIGHTON: We wish to present three resolutions dealing in brief, first, with interest rates, second with the Finance Act, and thirdly with the nationalization of the banking system. I have observed that your lordship in the course of this investigation desires to know definitely whom or what each person appearing before you represents, and so I should say here that I am appearing on behalf of the British

Columbia Teachers' Federation, which is an organization having a membership of 2,377. We are desirous of presenting these three brief resolutions to you which were passed at the annual convention held last year in this city when a membership of the federation was in attendance to the number of 1,523.

Before proceeding to read those brief resolutions, if I might have your permission I should like to make a few brief observations about our banking system.

In the first place I should like to observe that our financial and monetary history has seen three main eras. I mention those eras because, your lordship, we hope that as a result of this banking investigation we may be starting soon upon a fourth era.

The first era I would mention is that consisting of the early French regime, the whole French regime as asmatter of fact, and the early British Colonial period up to 1853, when money and authority were the deposits of many and many systems were in vogue in that period. I intend merely to state a number of facts without attempting to prove them, but should any of you desire the proof I have it at hand and I shall be glad to give it to you.

The year 1853 saw the establishment of the first real basis of the monetary system in Canada. That was the date upon which the Province of Canada adopted the gold standard. That was the orthodox gold standard so called and not the gold bullion standard or the gold exchange standard. Under that system which existed without prejudice until 1914 the banks were entirely

responsible for their own solvency and for the solvency of the whole financial and monetary structure of Canada. Bank notes were considered to have very great virtue and to have a very great degree of elasticity. They were elastic because they were asset issues. The banks were permitted as they are now to issue notes equal to tl total of their paid up capital and reserves. Before Canada was perfectly developed the note circulation under that system was insufficient on account of the fact that the paid up assets of the bank did not increase in proportion with the increase in business in Canada, and by the year 1907 we saw the first indication of an insufficient issue or limitation of that supposed elasticity. I am not going to go into detail here, but in 1907 it was necessary for the Dominion government for the first time to come to the assistance of the banks. By special enactment they made it possible to use $10,000,000 of Dominion notes over and above their ordinary issue which the banks might borrow and pay four per cent interest on it to tide them over the period when there would be runs on the bank at a time, for instance, such as when the American Financial panic began in 1907.

I pass on quickly. During that whole second area from 1853 to 1914 the banks were completely responsible for their own solvency and for the solvency and management of the whole currency system, and we find that the government's duties or activities were automatic. The government had as its function merely the handing out of gold for notes and the taking of notes for

gold, and so forth. We were under the so called gold standard automatic system but the passing of the Finance Act in 1914 completely altered our whole banking and monetary structure. In passing may I say that yesterday afternoon quite incidentally and unintentionally I heard Sir Thomas White say in a jovial way to one who had appeared before you yesterday that he was rather thankful to hear some commendation of the Finance Act from that gentleman because he was the father of it. Without in any sense intending to be flippant may I say that I am afraid what I shall say will not be complimentary to that Act.

SIR THOMAS WHITE: It was the child of necessity, if you think I am not worthy of its parentage.

MR. CREIGHTON: You are quite worthy of its parentage, and that reminds me of a regulation that we schoolteachers must observe in our conduct of a school. If it is necessary for a teacher to administer corporal punishment he must remember to be kindly, to be judicious and use discrimination like a wise parent when he is administering corporal punishment.

THE CHAIRMAN: As to both time and place.

MR. CREIGHTON: Therefore I would suggest that when the time comes for Sir Thomas White to sit in judgment on his own child that he observe kindliness, and be judicious and wise.

THE CHAIRMAN: Now he is ready for your spanking.

MR. CREIGHTON: In 1914 the Finance Act altered the whole structure of our monetary system.

SIR THOMAS WHITE: What date?

MR. CREIGHTON: Two orders in council were passed and parliament met a month later --

SIR THOMAS WHITE: On what date was war declared?

MR. CREIGHTON: On August 4th.On No less an authority than Sir Thomas White himself, in his book "The Story of Canada's War Finance," I say that that act was passed to save the banks from insolvency. It served a very useful purpose. It probably was very necessary but I think it has outlived its usefulness. It shifted the responsibility for the solvency of the monetary and banking system from the banks onto the shoulders of the Department and the Government. It did that in this way. There was a provision in the Finance Act which made it possible for the Department of Finance to make advances to the banks on the deposit of approved collateral with the Department of Finance. I submit that that body which has the power to restrict or expand the reserves of a bank has the responsibility for the solvency of the system. That is why I maintain that the Finance Act entirely changed the system in Canada and started a new era. In a period of paper money when we were off the gold standard the Finance Act worked reasonably well, although it did permit absolutely uncontrolled inflation. In 1923 that emergency measure, a vital piece of legislation to meet an emergent situation and which had been used in war time and entirely under paper money conditions was made a permanent feature of our monetary system by the legislation passed that year.

It did not work too badly up to 1926 when Canada returned to the gold standard. But the emergency act which worked fairly well under the paper money syst worked entirely differently on the basis of the gold standard because with the gold standard in operation we find the Finance Act working in exactly the opposit direction of our gold standard policy. In other words, by the latter part of 1928 or the early part of 1929 that provision in the Finance Act which enabled the banks to secure advances from the Department of Finance on approved securities enabled the banks to draw on the Finance Department to such an extent that it diluted the gold backing and thinned it out so greatly that it was reduced until it was almost infinitesimal. I am not maintaining that the gold standard was a good standard. I do not think so. But the fact is that we were driven off it against our will.

It is maintained that the Finance Act acts as an adequate substitute for a central bank. It is not my duty as a representative of the Association here to argue in favour of or against a central bank, but had I had the opportunity I would have been very pleased to point out a great many respects in which the Finance Act is absolutely inadequate as a substitute for a central bank, and I would refer particularly to the administration. Not that I have any criticism of the administration as civil servants but by reason of the fact that never from 1914 up until November 1, 1932, were the administrators called upon to operate the central bank machinery and to direct national monetary policy.

(Page 664 follows)

I have no more time to deal with those features of administration, however, but I would just point out that the Finance Act as such, as a substitute, so-called, for a Central Bank is a one-way bank. It works on the initiative of the bank who requests advances, and governments on the other hand, may not operate it in their own behalf. There is no provision for that. That is one of the reasons why bankers - and quite naturally so - and I am not speaking prejudicially, - find if it works one way, that is the way they wish it to work. It undertakes no special function; it performs no social service to the country; it does not attempt to control price levels or anything of that nature which may come within the category of social control. I have mentioned that up to 1883 we had one period in our financial era; from 1853 to 1914 we saw another era based on the operation of the gold standard; from 1914 to the present Canada has been in the third era, that which I will describe as a period of transition, a period of flux and it is our duty as citizens to see that that state of flux is terminated before very long.

We think perhaps that the control of the monetary system should be in the hands of a central national bank, directed in the interests of the whole of the people, rather than in the pursuit of private gain.

I will now, without any further delay read the resolutions which we have to present:

Whereas, the distress due to the unemployment situation prevalent in this Province constitutes the gravest and most urgent problem to be solved by our Provincial Government; and

Whereas, the funds absorbed in meeting the financial obligations imposed by the burden of debt now carried by this Province and the excessive taxes required to be levied on our lands and from our industries within the Province to meet these obligations, are the primary causes that prevent remunerative employment being given to those in distress; and

Whereas, the amount of interest to be met on the debt of this Province represents by far the greatest single charge on the revenue of this Province; and

Whereas, under the provisions of the Finance Act and other statutes enacted by our Federal Parliament the Federal Government has recently extended to the Chartered Banks of Canada credits up to 35 million dollars at an interest charge of only 3 per cent. per annum and a loan to a certain railway corporation amounting to $1,400,000 without any interest charge whatever; and

Whereas, the Legislature of the Province of Manitoba has passed aresolution by a large majority asking the Federal Parliament of Canada to enact legislation that would enable credits to be extended to provinces on the advantageous terms given to banks, thus obviating the payment by the provinces or the heavy charges of interest levied by the banks; and

Whereas, the Government of the Province of Saskatchewar has appointed a commission to investigate and submit recommendations covering legislation that the Federal Parliament should be asked to enact whenthe Bank Act comes up for revision;

Now, therefore, the British Columbia Teachers'

Federation is of opinion:

"That the Government of British Columbia should co-operate with the Governments of other provinces in endeavoring to secure the enactment of legislation by the Federal Parliament that will provide relief to the provinces of Canada from the heavy charges now paid on credits received from banks.

Relative to the above resolution we would respectfully direct the attention of the Commission to the fact that under existing conditions the Finance Act - Canada's substitute for a central bank-- is of service to the chartered banks only. The latter are its sole "customers". Even the Federal Government cannot borrow from its "central bank". The nation's credit is not considered to be "sound" or "healthy" as backing for the issuance of currency until it has been "disinfected" by passing through the hands of the banks and until it has been tested in the fire of profit-making. Thus the "central bank" may not loan directly to its creator, the nation, on the latter's own credit. On the other hand a bank may take some of the nation's credit (in the form of a victory bond, shall we say?) to the Minister of Finance and Receiver General at Ottawa, deposit it there, and receive legal tender Dominion notes dollar for dollar on the deposited credit (bond) as security, paying 2½ per cent. on the money so borrowed.

If the Government is in need, the bank may loan these same notes back to it at, say, 4 per cent. or 5 per cent. O r the bank may secure a quantity of these Dominion notes in this way at 2½ per cent.

amd loan them to some needy city or municipality at 6 per cent. thus charging 3½ per cent. for the cost of transferring the funds from Ottawa by telegraph or mail, and for the other services of an "honest broker" and middleman. The city or municipality may not borrow directly through the Finance Act; it must borrow through the "middleman" in order that the transaction may be "sound."

It is the opinion of the British Columbia Teachers' Federation that the same services accorded the banks through the Finance Act should also be made available to provincial and municipal governments.

I should have observed that these resolutions were taken from our publication, "The British Columbia Teacher", and was worded four months ago, and, therefore, the wording is not quite appropriate, but we thought to take them as they were would be better than to try and re-word them.

SIR THOMAS WHITE: No doubt you are aware that the action which was taken in Canada in August, 1914 at the outbreak of the war was precisely analogous to the action taken by Great Britain at the same time in suspending the Bank Act, that is, suspending the payment out of gold for the conservation of gold, and it is very interesting also for you to know that President Roosevelt and Congress in order to rehabilitate the banking situation just a few months ago took precisely the same action as was taken by Great Britain in 1914 in suspending the Bank Act, and the action taken by the Government at Ottawa in bringing in to effect the Finance Act.

MR. CREIGHTON: Thank you.

SIR THOMAS WHITE: You see our friends to the south of us have done us the very great honour to follow the Canadian precedent in practically suspending the Bank and in giving the facilities which the Federal Reserve Bank in the United States did not have previously, which the banks of Canada had during the war under the Finance Act. In other words, loans would be made upon any good security in order to provide the necessary expans of currency to meet the emergency. I thought I would tell that, because I was at one time a teacher myself and am in sympathy with teachers, and like all good teachers I am always willing to learn.

MR. CREIGHTON: Thank you. I appreciate that. As a matter of fact, I had known of it and I do not think I am being unduly generous when I say that the Act was necessary at the time --

SIR THOMAS WHITE: Quite so. I follow your argumen as to the later period.

MR. CREIGHTON: Yes, this is in perpetuation of that action.

Now, the second resolution is as follows:

"Whereas, it is becoming increasingly apparen that courageous action is lacking in treating the basic causes of our economic ills, and that governmental economies effected by curtailment of services and reduction of salaries merely reduce purchasing power and are therefore aggravati rather than relieving present depressed conditions; and,

Whereas, the bonded indebtedness of our governments claims far too great a share of their revenue, indicating that the wages of money have not been reduced with the wages of labor; therefore.

Be it resolved, that the British Columbia Teachers' Federation go on redord as favouring the control by governments of interest rates by immediate debt refunding, with provision for the future of a scale of rates rising and falling inversely as the value of the dollar".

Presumably there again we have not a Board of Directors or a Central Bank Board which would stabilize our price level. If it were stabilized, of course, we would not need it.

Resolution No. 3, the last one, reads as follows: "Resolved, that this Convention do urge the Federal Government to bring about the complete nationalization of the banking system of Canada, reserving for itself the sole right to the issuance of currency and the control of credit.

"In support of this resolution may we point out that few disinterested people in Canada deny the need for reform of the monetary and banking system. Bankers claim, however, that the Finance Act provides all that is necessary in the way of a national central bank. On the other hand critics have roundly condemned the Act and have pointed to theneed for a real national bank. It is not

unnatural, therefore, that a compromise, in the form of amendments to the Finance Act, should be proposed by some as the remedy. The amounts that could be advanced under the the Finance Act against securities alone might be limited and provision made for a measure of gold backing as additional security for amounts exceeding the specified limit. Or, a definite minimum percentage of gold reserves for the total Dominion note issue might be set and advances made only to an extent consistent with the safety of that minimum.

No doubt these amendments would tend to safeguard the gold standard in a situation like that which existed in Canada in 1929. But these proposals are based on the assumption that Canada will go back to the gold standard, and Canada may never return to that standard. It is true of course that other amendments could be devised as a safeguard if the Act were operated under paper money conditions. Admittedly the Act could be so changed as to remove the dangers inherent in it under any and all conditions, but even in a harmless form it would not be a national bank. Governments and civil servants, as such, would have neither the time, the inclination, the machinery, nor the qualifications to operate the Act as a bank. On the other hand, if properly qualified administrators and the necessary banking equipment haveto be provided to make the Act effective, it would be more reasonable

to take the final step of creating a genuine national central bank.

A more valuable proposal is that made by "A Canadian Banker" writing to give the point of view of Canadian chartered banks on the question of a central bank for Canada. Instead of a central bank he advocates the setting up of a permanent economic advisory committee. "This committee", he says, "should be composed of the most intelligent, experienced and practical men it is possible to secure." He would go outside of Canada, to Great Britain - presumably anywhere - to get a suitable personnel. Summarized are his main ideas as to what such a committee would do:

1. Concentrate its efforts upon finding the best way through the maze of troubles in which we are entangled.

2. Examine and pass judgment dispassionately upon various plans advocated, and experiments being tried elsewhere.

3. Advise the Government re manipulation of the rate of interest on loans under the Finance Act.

4. Make possible an intelligent attempt at exchange rate stabilization.

5. Make for general stability by creating an enlightened public opinion.

6. Represent Canada at international economic conferences or act as advisers to official delegates to such conferences.

With the greater part of this proposal this Federation is in hearty agreement. The general nature of the personnel which "Canadian Banker" proposes for his committee is just what is required for a national central bank. Of such duties as he would assign to the committee, as far as they go, we would heartily approve. Moreover, a committee of this character could perform those duties admirably and to the very great advantage of Canada. To create such a committee would be to take a big step in the right direction. It would mean a vast improvement over the existing system.

The committee would be a veritable physician for our sick monetary and banking system, yet as a physician it would have no surgical instruments. It could prescribe but it could not operate. Before ten banks and the Government could be prevailed upon to act in an emergency it is to be feared the patient would die. Nevertheless, if we cannot have a complete remedy for our situation, let us have a partial one.

The proposal that is currently the most popular with the general public is that our banks should be nationalized. This means that all banks should be owned and operated as a public service. Commercial banking and the control of money and credit would be a state monopoly.

To us this is the logical and almost the inevitable ultimate course. To the thread-bare and discredited argument that state institutions cannot be operated as efficiently as those that are privately owned

one may reply that this is the stock argument that has been used down through the centuries every time it has been proposed that the state should remove from vested interests and perform in the social interest any additional function. The occurrences during the course of the present depression should be dufficient to give this argument its final quietus. Through its own incompetence individual enterprise has failed. Private business failed first. Then, throwing the responsibility for its employees as an extra burden upon governments, and running to governments for succor and a dole for itself, private business has been gradually dragging these governments down to bankruptcy after it.

It would be entirely feasible for the Canadian Government to take over all the banks and not do anyone an injustice. The total paid-up capital of the ten chartered banks amounts to $144,500,000 and the total reserves amount to $162,000,000. Of the last paid dividends one was at the rate of 7%, one at 14%, and eight at 10%. This rate is based on paid-up capital. "A Canadian Banker" states that on the basis of combined capital and reserves Canadian Bank shareholders received in 1932 a return slightly less than 5¼%. If the Government issued bonds to the shareholders to the amount of the combined paid -up capital and reserves and guaranteed, say, even 6% on them, the shareholders could not justly complain of any unfairness, particularly in view of the fact that they would be relieved of the "double liability" to which bank shares are subject.

Neither should there be any difficulty for the Government in meeting the interest guarantee. Hundreds of bank offices could be closed as needless, facing one another across the street as they do in so many places under the present expensive, competitive system. Neither it is the custom of the banks to build in competition with one another. With these and other savings, with the demonstrated ability of the banks to pay handsome dividends in these times of depression, it should not be difficult for a centralized, unified system to pay the interest guaranteed.

This Federation labors under no delusion as to the difficulty of bringing about the complete nationalization of the banking system immediately. Quite naturally the bankers would strenuously resist such a proposal. Against it also would be the older people and the more conservative-minded persons who have little faith in public enterprise generally. It is to be hoped, however, that the spirit of youth, which alone would appear to be capable of lifting us out of our present despondency, will not have to await the reform which will come with the natural removal of the procrastination, indecision, and lack of resolution inherent in the apparent senility that now guides the hands of government and finance."

THE CHAIRMAN: Thank you, sir. The next party on our agenda is the Provincial parent teachers federation, a representationto be made by Mrs. Delmage.

MRS. DELMAGE: Your Lordship and gentlemen, contrary to the popular belief that a woman in a person of many words I shall be exceedingly brief in my remarks, and for your sake after the strenuous day you have had, I hope it will prove somewhat true that the woman is having the last word.

THE CHAIRMAN: Not quite, I am afraid.

MRS. DELMAGE: As the name of our organization indicates we are a group of people doing public work in this province. The parent teacher organization is a group of parents and teachers banded together in the interests of the children. I would like to call your attention to the fact that the first two letters of the word "parent" are "pa"; a great many people have thought otherwise in the past, and have left most of the parents' duties to the mothers. I suppose that all gentlemen on this Commission would qualify for membership in our organization. In perfect accord with the statement made by your Lordship yesterday, I believe it is more important to bring up a family than a resolution and that is a difficult business in these strenuous times, as was proven by a letter read this morning by Mr. McGeer. That is an authentic letter from a Canadian mother. It was published in one of our Canadian magazines recently.

A year or so ago our organization in convention assembled decided to make a study of the economic situation to inform ourselves and see if there was anything we could do to help. As a result of this we have evolved a set of policies which deal with matters both educational and otherwise in the Province and in the Dominion. I have a copy of the policies, many of the

clauses of which would not interest you, but some of them which I think will., I will leave copies with all of you and have marked with ink those I think would interest you. The first one reads:

"Greater control over the banks on the part of the Dominion Government, excercised through a specially appointed board or commission.

"A careful study of the proposal that a national bank be created in Canada, a study conducted impartially by men not connected with the banks of Canada.

"The creation of a permanent non-partisan federal economic council comprising in its membership economists, statiticians and representatives of group economic interests, consumers organizations, farmers organizations, trade unions, merchants organizations manufacturers organizations, and soforth; this council to serve the Dominion Government in an advisory capacity with respect to those economic problems which concern the people of the nation."

We are not making this resolution; we are asking for a study of the proposal, you will notice, I believe the most absorbing interest of this generation is the welfare of the next generation; indeed it is the only excuse us adults have for being left alive, and because of that we are canvassing every possible corner to see where we can do something to makes life more worthwhile for all the children of Canada, because we feel that this presentsystem of bankin does to some extent threaten to interfere with the education of our children, and we are asking that these items be given your consideration. I thank you.

THE CHAIRMAN: We are very much obliged to you. There arevseveral individuals, whose names anre on our agenda. The hour is getting late, but we have not quite rea ched the limits of saturation, but are very near to it.

Is Mr. Gamlin present? I presume he has retired.

MR. EDWARDS: May I interject one remark, my lord? Three times this afternoon reference was made to a letter in the press. I would not like your Commission to leave with the thought that milk was not on the relief list. I had some difficulty with regard to the price of relief milk, and in the month of April, I think, Mayor Taylor "slipped a fa st one over on us" when he had printed two hundred and eighty thousa nd credit tickets for that particular month.

THE CHAIRMAN: We are very glad to hear that.

Is Mr. Wellington Sykes in the room? Apparently he has also retired.

We will hear now from Mr. Richmond.

MR. RICHMOND: My lord and gentlemen commissioners, I am very pleased today that you allowed me to come forward. I have been confined to my bed for the last three days and I was almost in despair, that I could not get down to present a few words to the Royal Commission. I am coming very late, I believe, on the program, and have heard a great many angles to this question.

I may say that I believe I am representing what would be considered as the "unknown" of the citizens of this great country, who has never sought for representa-

tion.

You have listened to the various organizations and I have presumed to come before you to express my opinions. I have been in this country for thirty years. I spent five years in South Africa, and I have travelled through Australia, and this country twice, and I have investigated fully the economic conditions here, which resulted in my settling in the northwest thirty years ago, when there was a great inflow of immigrants into this country.

I have been employed at times by the British Nort America Bank; I have worked in the bank; I have worked in lumbering concerns; I have worked in wholesale houses and have prosecuted business for myself, and I presume you are getting information from men who have sought to operate a business as individuals in this northwestern country.

I was fairly successful in Edmonton as a young man. The real estate boom wa s at its height thirty years ago. When I first came to Vancouver I purchased some real estate, and eventually transferred it to Edmonton. I got it all there and I found myself with $3.75 to start business with. I started business, and in four years I made a profit of six thousand seven hundr dollars. I moved to Vancouver. My credit at that time was, I may say, as a young man, practically unlimite I refused to take credit from the banks because I found the danger in competing with the business as it was then growing.

I found myself in Vancouver. I had a stock of

about fifteen thousand dollars, but I found it impossible to operate and to pay expenses and to make a profit, which would enable me to stay in business. I traded my asset and squared up with my creditors to the best of my ability. I have never gone bankrupt.

The war came on. I bought some property on the Kingsway, one of the leading highways in this city, and I paid a high price for it at that time. The taxes on the property were burdensome, as they were on the property of others, and a great many people lost their property through taxation - through no fault of their own. I held that property, and while in that position I began to realize that as an individual - I happened to be born in Ireland, and my great ambition is liberty of action, - and I sought to carry on business as an individual. I found it was impossible actually to extend business on any reasonable basis.

There are so many phases of this. I do not want to take up your time to enumerate them, but I want to say that I became immediately a student of economics.

At the same time, when the war started, I endeavored to render as much service as I could to my country and my fellow-men, and I entered the dairy business, and worked hard at that business, and I made a success of it to the extent that I was able to keep my head above water, and pay my debts and live. I was not able, however, to buy any Victory bonds , and I found myself in the throes of an election, after our men came from France.

I had been studying economics , and I felt that this great northwestern country was a promising country, a

I was inspired to enter politics. We found in the great west that the Farmers' Movement had taken a great impetus all over Western Canada. I felt inspired that the farmers were entitled to more reasonable consideration than they had been receiving in the past, and here in Vancouver the matter was brought up. There were, of course, a number who saw the movement, but, being an urban city, there was no likelihood of any man getting elected on the Farmer ticket. I had the assistance of the Honourable Mr. Joe Martin, one of the pioneers of Western Canada, who saw, at that time, the necessity of supporting the farmers , theirs being the basic industry of the country, and I said, "Well, I will undertake the burden of placing myself before the electorate". I had the best platform support in the city of Vancouver of any political organization. I placed our matter entirely before the people, but when it came to election day, I received 444 votes . So I had to sell my best cow to pay the two hundred dollar deposit, and all my dairy went for my own expenses. One man did offer me five dollars to help me out, but I spent my own money in that election.

I continued to study the causes of our troubles in Canada . Mr. Mackenzie King was elected; he assumed the responsibility of government of the country. He was not entirely free to carry on the government of the country without the support of the Farmer Party, which I had endeavoured to represent. That Farmer Party largely influenced the policies of the government for the succeeding years, and to a large extent got for this country the influence which I felt at that time would be very helpful to the farmers, and that was to assist the development of this

this country by making the implements of production as cheap as possible for the producers and farmers, and there by enabling the people of this country to sell their product on the world's ma rkets in competition with other countries . That was accomplished to a large extent. T tariff was reduced considerably, and Mr. King's government kept in power for a considerable time.

In the course of my studies, I made this discovery.

THE CHAIRMAN: Mr. Richmond, we really have very little time left now, and while many of these topics are no doubt very interesting, we must keep to the practical question before us. I had hoped you were going to say something about your experiences with banking. All of your election experiences and your youthful experiences are no doubt very interesting, but I would like you to confine yourself to the subject we are discussing.

MR. RICHMOND: Very well, my lord. I had no idea I had spoken so long--

THE CHAIRMAN: We have two speakers to follow you, and we would so appreciate it if you would confine yourself to the practical question. We have had a hard day and really must get through.

MR. RICHMOND: I made my discovery in 1925, of what I believe to be the cause of the trouble in Canada. I submitted the reasons to the Honourable the Leader of the Opposition eight years ago. It was in the form of a memorandum which is too lengthy to present to you---

SIR THOMAS WHITE: Much.

MR. RICHMOND: -- but this is a copy of an article which was written then. I still believe and maintain that

that article is sound. It was received by the Press in this city; the heading came out "Inflation"; that was eight years ago - "Inflated Currency".

Now, I do not like the word "inflation". I do not believe in inflation. It is not the proper word to use. I came to the conclusion, my lord, that it was not the tariff question which concerns Canada, but it was the monetary question, and I set out to find out where the trouble was.

I believe, my lord, I have discovered what that reason is. I do not consider it advisable to present that reason before a public body; I believe it is a matter of State, and one which should be handed over to a Privy Councillor, or those who are in direct concern with the government of the country.

There has been so much developed along that line, that I may further state that I have information to prove just now that I am on the right track.

For instance, I will give you an authority for my conclusions. Professor Jacob Vanèer, of Chicago University, who has written some exhaustive matter on "Canadian Balances of International Indebtedness". That is written from the statistics supplied me by the Department at Ottawa, and I discovered certain things.

You heard this morning a great array of matter from Mr. McGeer. I do not want to say that Mr. McGeor has said everything that I want to endorse, but I must say this; that there is no man in western Canada, or in Canada today, who has presented a greater array of statistics , which are to the point, and which will bear investigation, but I hold this, that it depends

largely on our conduct with economics, to use that matter to the best advantage of this country.

I do not consider it wise to spend the time that Mr. McGeer did today, before you learned gentlemen, on a question of this kind. I believe that when Mr. McGeer travels still further in his studies, he will make further discoveries, which will cause him to eliminate the matter he has presented to you today.

For instance, he tells you of the enormous indebtedness of our country. I point out to you gentlemen this: Who are our debtors? Who are we indebted to in Canada? I say, sirs, without fear of contradiction that the people of Canada today are largely their own debtors, through holding policies in Insurance Companies of this country. We cannot get away from that fact, that almost every man in this country, more or less, is holding an insurance policy. It is from the insurance policies, that our municipalities, our Provinces, and other bodies, have borrowed their monies, which has created this collosal debt, and nobody has given it to them, only the people themselves.

So we are in a very complex situation, so far as this economic tragedy has come to us.

I want to say this - just a few points in the course of my study: I presume I am speaking to gentlemen who represent banking institutions, as well as other institutions. I do not go at all, for a moment, to criticize our banks. I believe we have the most honourable and well-conducted institutions. There are faults in every institution, and I do not want to place any blame on the

institutions, and I do not want to place any blame on the bankers. I want you to understand that I place the blam for the ills of this country upon the shoulders of the people themselves, and not upon the bankers. I take the stand that the government and those responsible for the government, have permitted the bankers to possibly over-do their position, and the position it was intended they shou attain, and which was given to them in the British North America Act.

I want to present this one question. That is in regard to call loans. I have a statement before me which is a compara tive statement of totals from 1918 to 1928 - one decade. I chose that, because it covered a period of history in Canada which covered, I believe, one of our greated periods of progress, - I mean the increased amount of wealth in that time. I believe that Canada increased her w ealth more in that decade than in any other decade - from 1918 to 1928.

In 192 8 the bubble burst, as it were, and we have not been producing as we were since. I want to show the figures to you, and I feel that the banking system during that period did not keep pace with the industrial life of the country. I believe that.

I will give you my reasons for that. For instance, in 1918, we have three hundred and fifty-one millions of specie and Dominion notes . As an Economist, I look upon that a s the most important factor in the life of the country, in the interests of the producers and the workers . I do not desire to emphasize the values of credits . I believe that credit has been the cause of our downfall, and of placing us where we are today.

In 1928 - ten years later - with the great increase in the wealth of our country, the great increase in the national concumption of our people, and the great increase in the need of an increased currency to exchange the wealth of this country, we find that from 1918 to 1928, the species and Dominion notes have been reduced to two hundred and sixty-four millions. Instead of increasing the national wealth, and increasing the production in the country, the species and currency decreased. I want you, my lord, to take particular note of that. That is one point I want this Commission to take notice of, that the banking institutions did not go to conform with the industrial development of this country.

And the same thing applies to the paid-up capital of the banks. In 1918, banks, one hundred and ten millions, increased to one hundred and twenty-two millions That is only twelve million dollars in the great instituti of Canada, when the wealth of the country increased from twenty billions to thirty billions of dollars. I want you, my lord, to take note of these things.

There is also the total assets of the banks. The assets of the banks in 1918 were two billion, four hundred and thirty-two millions; in 1928, they increased to three billions, three hundred and twenty three millions. There is a considerable increa se in this, and that increase in assets, you will find, is largely used by the banks in the interest of the shareholders and those in the banking systems. We find, in that great amount of money which has been used, that ninety percent of it is in the form of liabilities to the Canadian people; that is to say, that

the banking institutions of this country, is enjoying the use of ninety dollars in every hundred; that ninety dollars out of every hundred dollars , has been for the benefit of the banking institutions.

Now the same thing applies to loans, etc., and I will mention particularly, "call loans". I think I have referred to that before, a significant thing, very seldom touched upon by our public men, and which was a most important matter in relation to the growth of this country.

In this great western country the cry always was, "We want more capital; we want more money; we want to develop our resources; we want to develop our cities". Undoubtedly, as I said before when I was trying to explain, my lord, I travelled this country, and no one knows better than the bankers themselves, that we have the greatest course of real wealth of any country in the world. There is no doubt it will be better, and I think our municipalities and our cities will get all the credit there is. Now, what do we find -

THE CHAIRMAN: Mr. Richmond, we really have all these facts before us and I think really you might assume that we have these very serious matters fairly in our minds, without their being recited again. I am anxious that two other gentlemen should have the opportunity of being heard. They have been waiting all day, and you have now been speaking for over half an hour.

MR. RICHMOND: I would like to finish about the call loans. They increased to two hundred and seventy-five million dollars, which is, to a student of banking a most important question for

Canadians, inasmuch as two hundred and seventy-five millions of call loans in New York or outside of Canada is equivalent to gold which was lent to this country during the greatest stock bubble ever known in the world's history, and I believe the Canadian Bankers were largely responsible for placing that money in the States, while our own people have to go and borrow the money back from that country.

I thank you very much for yourcourtesy, and if you will only pay attention to one or two of these items I shall be very pleased and grateful.

(Page 690 follows)

THE CHAIRMAN: Is Mr. Davidson present?

MR. D. A. DAVIDSON: Yes sir.

THE CHAIRMAN: Whom do you represent, Mr. Davidson?

MR. DAVIDSON: Just myself.

THE CHAIRMAN: A very excellent constituency.

MR. DAVIDSON: I would just like to read a paper.

THE CHAIRMAN: Would it be too much to ask you to leave it with us? We will undertake to read it. Will you be content if we take it and read it ourselves. You can hand it in to the secretary and if you wish it put on the record we will see that that is done.

MR. DAVIDSON: That will be satisfactory, my lord.

(Memorandum of Mr. Davidson follows.)

Vancouver, B.C.,
August 16, 1933.

To the Hon. Chairman and Members
of the Banking Commission,
Vancouver, B.C.

I beg to submit the following:

1. I am in favour of a nationalized banking system, but only regard it as one step towards a technocratic, socialistic, or co-operative state.

2. I do not think that a nationalized banking system would succeed under the present social order because,

(a) Our social order is highly detrimental to the welfare of the people.

(b) A nationalized banking system could not function properly unless our social order is changed.

3. Our Social order is collapsing because,

(a) Of inability to sell surpluses of production.

(b) Of inability to furnish employment to the masses.

(c) Of the thoughts and actions of an ever increasing mass of people in favour of a change in our social order.

4. There is no hope for the present social order to continue becuase,

(a) Of the impossibility of selling surpluses of production in the future.

(b) Of the impossibility of furnishing employment to the masses in the future.

(c) Of the awakening attitude of mind of an ever increasing mass of people who wish a change in the social order.

5. There must be a commonwealth of nations, or else emigration from countries that are not self-supporting or very nearly so.

6. Recommendations:

(a) That immediate steps be taken to

1. Nationalize the banking system.

2. Loan through the national bank to the provinces, cities and municipalities, amounts of money, without interest, and based on the credit of the country, not only sufficient to pay off their

debts, but sufficient to allow them to engage in useful public works on a large scale.

6. 3. If necessary, conscript wealth.

4. Obtain all necessary information and do all necessary things to prepare Canada for a technocratic, socialistic or co-operative state.

It is my humble opinion that these things be done as far as possible without delay in order to preserve the country from going into a state of anarchy.

I am, gentlemen,

Yours respectfully,

(Signed) D. A. Davidson.

THE CHAIRMAN: The next name is that of Mr. E. S. Woodward.

MR. E. S. WOODWARD: Rather than address you at this late hour I will prepare and submit a written memorandum.

THE CHAIRMAN: That would be a very merciful course, I think.

MR. WOODWARD: You will find my document will be very concise and directly to the point. I hope you will also find it persuasively written. May I say I think far too much attention is being given to the banking system and not enough to the system of currency. Were the basis of our circulation in Canada -- I am referring to the note issue of the government -- made in such form that it must irresistibly circulate, it never need be withdrawn from circulation, and that is a suggestion which can be easily acted upon, and it

would eradicate many of the troubles we are now suffering from.

THE CHAIRMAN: You will put that in your memorandum?

MR. WOODWARD: Yes. It is easy to have a circulating medium which is under compulsion to circulate and your banking system will readily adapt itself to that medium as it has done to the medium through which it is operating to-day.

MR. J. H. COPPING: My lord, may I express a few words of appreciation. I have sat here two days and I have not missed anything. I forego my opportunity of presenting something to you because I take it that if I send in my views to your secretary you will give them your most earnest consideration. There are just one or two angles that have not been covered.

No one can say that this Commission has attempted to shut off anyone. They have given everyone the privilege of being heard, and that is one aspect of this hearing that I appreciate as a Canadian, that you have tried to choke off nobody. You have listened to everybody and some of the things that have been submitted it would have facilitated the proceedings if they had simply been handed to the secretary, because I am sure they would be read. When you leave this city we wish you all success on your trip through Canada, and we hope that when your report comes in it will do something to help Canada.

THE CHAIRMAN: On behalf of my colleagues and myself I wish to thank the gentleman who has just

spoken for his very generous words. It sometimes is rather a difficult task to sit through long days of hearing evidence, but I confess I have had a very varied diet while I have been here, and they say variety in diet is good for one's constitution. As the gentleman who has just spoken has said, we have given the opportunity to every person who has sent in names, either as individuals or as representing public bodies, of expressing their views or sending in a memorandum. I think in that way we are serving to the best of our ability, in seeing that we have before us the varied views of all classes.

In taking leave of you as I now do, because we are going to adjourn and I proceed tonight to Calgary for our next sitting, may I just express my indebtedness to you all for your assistance and for the pleasure which we have enjoyed in our two days in your midst. I hope as the last speaker has just said that our labours may be productive of some good for Canada's welfare.

MR. McGEER: May I read into the record or hand to the reporter some sections of the Macmillan report to which I have referred?

THE CHAIRMAN: Oh, by all means. You will hand them in?

MR. McGEER: Yes.

THE CHAIRMAN: Thanks very much.

MR. McGEER: They are references to sections which in my submission justify the nationalization of

the credit of Canada.

THE CHAIRMAN: By all means hand them in.

(The following document was handed to the reporter for inclusion in the record):

MACMILLAN REPORT FINDINGS

In the main, the general conclusions I am offering to that end are supported by the report of the Macmillan Committee filed with the British government in 1931. Of that report, despite its length and the confusion of compromise and contradiction it contains, Sir Josiah Stamp has rightly declared:

> "The report is easily the best up to date text book on the financial system. There is more here of intelligible exposition than can be found elsewhere."

As I read the report, it marks in an epochal way the beginning of economic planning for the British Empire. In the following selected passages of the report, its authors have accurately defined the means of establishing a sound monetary system and the most pertinent remedies that are available and within the realm of practical politics for the alleviation and cure of our existing economic ills:

1. "The monetary system must be a managed system. The major objectives of a sound monetary policy -- the avoidance of the credit cycle and stability -- cannot be attained except by individuals placed in a position of unchallengeable

independence." (Section 280.)

Bankers permitted to profit out of the management of credit cannot satisfy these requirements. The existing banker management is condemned out of hand by this finding.

The Committee recognize that the truth "You cannot serve God and mammon" applies with equal force when it is applied to bankers and the people; in short, the bankers cannot serve themselves and the nation at the same time. In placing the management of the monetary system in the hands of men of "unchallengeable independence" is to be found the cure for the fundamental defect in our system. If we cure it the remaining problems will be much more readily and effectively solved.

The conclusion that the remdy for the existing depression is to be found in an independent management of the monetary system that will increase the volume of purchasing power in circulation lays down the central fundamental necessity of a sound monetary system, but that is not all that is necessary, as the following conclusions of the Committee indicate:

2. "The best hope of a remedy (for the existing depression) lies in a monetary policy designed to increase the volume of purchasing power, to decrease interest rates, and to stimulate the spirit of enterprise and the volume of investment." (Section 118 and Addendum I, section 2.)

3. "Since the bankers as a whole under banking practice maintain a cash proportion of deposits of roughly 10 per cent of the cash, the bulk of the deposits arise out of the actions of the banks themselves, for by granting loans, allowing overdrafts and purchasing securities, a bank creates a credit in its books which is the equivalent of a deposit." (Sections 71-74.)

4. "It is not necessary that the volume of note issue (or the creation and issue of national bank credit) should continue to be regulated as it is now by reference to the amount of gold held in reserve. Gold should be held primarily to settle international balances and not to support domestic note issues. There need be no obstacle to the creation of a much increased volume of purchasing power without any increase in the supply of gold."

5. "In the modern world gold plays in the main only an indirect role in the determination of the level of prices because the circulating medium consists overwhelmingly of paper money and bank deposits." (Section 45.)

6. "If governments pursue an inflationary policy, i.e., meet expenditures not out of revenue but by the issue of paper currency (or the creation of credit in a

national banking system) forces are set in motion increasing profits and wages and additional spending arises. An expansion of credit and currency has a complicated effect upon the price level.

"There is nothing inherently impractical in the exercise of the government's power to deliberately control the price level. We should be ready to attempt the task and to gain experience by practice." (Sections 24, 210.)

7. "If the view could be generally accepted that gold reserves to-day are held solely to meet temporary deficiencies in the balance of international payments, and if their amounts were determined by what was reasonably necessary for this purpose, this would be the greatest safeguard we can imagine against the risks of a future shortage in the supplies of gold relative to the natural growth of the world's money income." (Section 340.)

8. "The vicious circle is complete. The decline of new enterprise has reacted adversely on profits and prices, and the low level of prices stands in the way of new enterprise. It is for this reason that some of us think that in the domestic field it may be necessary to invoke governmental enterprise to break the vicious circle." (Section 316.)

9. "It appears to us, therefore, that, if im-

ports were to be controlled, whether by a tariff with compensation for experts, or by Import Boards, or in some other way and home-produced goods substituted for them, there is a presumption, so long as present circumstances last, that this would mean a net increase of employment and of national productivity. Into the rate of the tariff and the classes of the articles affected we do not enter." (Section 41.)

10. "For these reasons and also because relief would be given both to the budget and to the balance of trade, it would seem that restrictions on imports and aids to exports would run well in double harness with the other class of remedy which we next discuss, namely, schemes of capital development. For it is obvious that the whole of the resources required for capital development at home are necessarily found within the country and as a result of our own efforts and sacrifices, except in so far as their effect is to diminish our net foreign surplus, whether by decreasing our exports or increasing our imports. Thus the "burden" of such schemes, for which we need to make special provision is exactly measured by the burden on the balance of trade. If, therefore, we were to expand investment at home and control imports, we should get the favourable effects of both schemes on domestic employment and avoid the disturbing effects of both on our international balance. (Section 45.)

11. "The objections which have been advanced against an unqualified acceptance of this conclusion are the following:

(i) It has been argued that it is not possible to ensure that any particular scheme of investment will mean additional expenditure. It may merely cause a diversion of finance and of rdsources from different expenditure which would have occurred otherwise. If the national productive resources were fully occupied, this might be the case. Or if the banking system were to limit the volume of credit in a certain way, it might be the case. But in present circumstances, when the physical limit on further capital output is far from reached, there is no reason why the action of the banking system need stand in the way of additional investment, unless this investment was throwing too heavy a burden on the balance of trade -- a contingency which we deal with below. For the theory that there is in any sense a fixed loan fund available to finance investment which is in all circumstances fully employed, or that the amount of the savings of the public always exactly correspond to the volume of new investment, is, we think, mistaken. At one time some such view as this appears to have influenced British policy. To a questionnaire from the International Labour Office in 1927 the British government replied: 'The decision taken by the government at the end of 1925 to restrict grants for relief schemes was

based mainly on the view that, the supply of capital in this country being limited, it was undesirable to divert any appreciable proportion of this supply from normal trade channels.'* The Treasury White Paper, Cmd. 3331, p. 43, was also capable of interpretation in this sense. We gathered, however, from the evidence of Sir R. Hopkins that it would be a mistake to attribute this view to the Treasury at the present time.

(ii) It has been argued that, whilst investment spontaneously undertaken by private industry would help employment, there may, nevertheless, be some offsets to schemes deliberately engineered by the government. For the effect of such schemes on the minds of business men might be such as to make them less inclined to launch out themselves. This might be true of "unfair" government-aided schemes, by which some private firms received assistance from which other substantially similar firms were debarred. It might also be true that business confidence would be injured if the government were to sponsor obviously wasteful, foolish or extravagant projects. But in general provided the schemes are wisely selected, we see no presumption in favour of the view that "official" investment need seriously compete or interfere with "unofficial" investment. Indeed, on the contrary, if "official" investment is successful in restoring the volume of output and of profits, this may help to restore the business optimism

*"Unemployment and Public Works," International Labour Office, 1931, p.30.

which is a necessary condition of expansion. It may be that a dose of "official" investment will be helpful in breaking the vicious circle and restoring the conditions in which we can again increase our reliance on normal "unofficial" investment.

(iii) It has been objected that the tendency of such schemes will be in the direction of raising prices in this country and thereby hamper our export industries in their efforts to retain their hold on foreign markets. If our available plant were fully occupied, there might be much force in it. But in existing conditions, we do not doubt that output could be expanded in many directions in response to an increased demand with an insignificant increase in price. Indeed, some witnesses have gone so far as to maintain that, if output were to be increased, prices would be reduced, basing themselves upon the lower cost per unit of production when plant is fully employed.

In any case we should attach limited importance to this objection because, in so far as output cannot be increased except in response to a higher level of prices, this objection applies equally to all remedies for unemployment of whatever character, except those which involve a reduction of wages.

(iv) It is sometimes argued that home investment may not only embarrass our export industries for the reason just discussed, but will also put a

fresh burden on our balance of trade, because it will tend to increase our imports, both to furnish raw materials and to provide for increased consumption, particularly of food, by the newly employed. This is clearly, to some extent, the case. But there again it is an objection which applies to all remedies for unemployment. Any increase of employment is likely to bring with it increased imports of the raw materials of our industries and of the articles of working-class consumption. But this is scarcely a reason for not providing employment. The point is to be regarded, rather, as a reason for not embarking too rashly on large-scale schemes without arranging at the same time as to how the necessary increment of imports is to be paid for.

It is at this stage that considerations which are more of a monetary character come in. It is the business of the Bank of England so to regulate our net rate of foreign lending that it does not seriously exceed our available trade balance. A recovery of domestic output must, when it occurs, present the Bank with a problem of this kind. But schemes of capital development would have to be on a larger scale and mature with greater rapidity than is at all probable, before they would present the Bank with too heavy a task, unless they were to be undertaken simultaneously with a general breakdown of confidence due to other causes. We are still a creditor country on a large scale, and it would be

an overwhelming condemnation of our present methods if proposals for increasing employment were to be rejected on the ground that we cannot pay for the raw materials which the men would handle and the additional food, etc., which they would consume, if they were to be brought back into employment.

(v) It is feared that state-aided schemes are likely to put some burden on the budget and therefore to lead to the evils of increased taxation. If, however, we lump together -- as we should for the purposes of this argument -- the budget and the unemployment fund, we feel quite confident that the relief to the Unemployment Fund and the additional yield of taxation, resulting from the increased employment provided by the schemes in question, would materially outweigh the direct cost of the schemes to the state.

(vi) A final objection -- which may, we think, have weighed with the Treasury -- is based on the possible effect of loans, made or sponsored or guaranteed by the government, on the rate of interest on British government securities, with the result of postponing the date at which large economies can be secured by a conversion of the war debt to lower rates of interest.

This is a natural, but nevertheless dangerous, pre-occupation. Over any short period it is evident that the prices of government securities may be affected by competing issues. But it is an

exact inversion of the truth about the rate of interest to suppose that it can be reduced by refraining from new capital investment. Apart from the short-period fluctuations around the equilibrium position, the rate of interest must tend to fall as the accumulated wealth and prosperity of the country in the shape of capital assets increases. The countrary view is based on some such fallacy as that "surplus" financial resources can be gradually built up, unembodied in any physical form. It is supposed that if we "save" a part of our current income and do not "use up" these savings in capital schemes, we can in some way hoard them up for use at a later date and that these "accumulated" savings will gradually strengthen our "financial" position. These ideas are probably derived from a false analogy between the position of a particular individual or firm and that of the community as a whole. For a particular firm can clearly accumulate "liquid" resources, unembodied in any physical form so far as the firm itself is concerned and constituting realisable claims on the rest of the community. But a little reflection will show that the community as a whole cannot increase its "liquid" resources by the various members of it building up claims against one another.

We have dwelt for a moment on this highly abstract point because mistaken ideas about it may be the explanation of much latent, unexpressed

hostility or reluctance to the general idea of organized capital development. It is one of the cases where uninstructed commonsense tends to believe exactly the opposite of the truth. (Section 47.)

12. There is the more reason for this, in that the problem of finding an outlet at home for a substantial proportion of our current savings is likely to be with us for some time to come. We recommend, therefore, that we should now attack the task of Capital Development in this country in a much more systematic and far-sighted manner than hitherto. It should not be an objection to a scheme that its execution will be spread over many years or that the period of preparation will be somewhat prolonged. After several years of living from hand to mouth, a point has come when it need not be considered an imprudence to look ahead. (Section 50.)

13. It falls outside our scope to proceed to details in a manner of this kind. But we may illustrate our argument briefly:

(i) A considerable part of the larger towns and industrial centres of the country need re-building and re-planning on a comprehensive scale. At present they offer neither beauty nor convenience nor health. Much of the industrial housing of the country is of an age when buildings of that character are, of necessity, only fit to be

refitted and replanned on modern lines, at the cost of a substantial capital expenditure. In several cases, there is much to be said for replanning an industry as a whole. Apart from tariffs, and the like, we see no reason why our staple industries should wait before putting their house in order. In cases of proved necessity, we should not be opposed to measures of compulsion, in conjunction with the provision of adequate and cheap finance. It may be that we should develop an improved organization for handling all matters of this kind. It would be outside our scope to pursue this subject in detail. But we think that efficiency and forethought might be much increased if a body were to be set up which might be designated the Board of National Investment, in the hands of which all matters relating to the deliberate guidance of schemes of long-term national investment would be concentrated. This Board might be entrusted with the duty of raising funds not only for the local authorities which now borrow through the Local Loans Fund but also for other local authorities including municipalities, for the telephones, for the roads and for such further schemes of national development as those which we have suggested above. But this is a big subject and it would lead us too far afield to develop it as it deserves.

(iii) The recommendations of the recent Committee on the electrification of the Railway System obviously deserve the most careful consideration in this connection. (Section 51.)

14. The fundamental objection to these expedients, in the minds of those who dissent from them, is, however, on a different plane of thought. They consider that all these devices are merely temporary shifts to enable us to postpone facing the problem, which sooner or later we shall be compelled to face, namely, that our money-costs of production are too high compared with those elsewhere; whilst at the same time they are of a character which, to judge from experience, are often used unwisely and may remain as an incubus on our economic system long after their special purpose has passed away. (Section 52.)

15. The ultimate differences between those who feel this and those who think that it is worth while to gain a breathing space are not so much matters of theory as of the practical judgment of probabilities and of what is most prudent. But we suggest that a heavy burden of proof lies on those who cannot join with us in our plea for efforts to increase activity rather than to reduce standards. For if we can do what we are doing with nearly a quarter of our industrial resources idle, what might we not do if they were all employed? We are impressed for many reasons with what seems to us to be the greater wisdom and prudence of concentrating public attention on constructive schemes for encouraging national trade and national development rather than on efforts to drive down the general levels of salaries and wages. Let

us, in conclusion, briefly recapitulate some of them:

(iii) We see no solution of the grave problem of social justice presented by any proposal to reduce salaries and wages whils t leaving untouched those money-incomes which are protected by contract.

(iv) Even if it were desirable to secure a large all-round reduction of salaries and wages, we foresee immense practical difficulties, perhaps insuperable difficulties, in the way: whilst the social costs of an attempt which filed would be incalculable.

(v) We prefer, therefore, to pin all our hopes on a recovery of world prices, and to strain all our efforts to secure it; whilst making, immediately, a great concerted attempt to avoid the immense waste of the national productive resources now going on. If these hopes are falsified by the event, much will by then have happened in the world, which we cannot now foresee. Public opinion, both here and abroad, will be ready for many things which it would be useless to consider now. And the whole matter will have to be reviewed again. (Section 53.)

RESERVATION BY SIR. T. ALLEN and MR. BEVIN

We join in signing the foregoing report in the belief that its recommendations tend to alter the direction of our monetary system from the basis of a contractionist policy to one of expansion, but

desire to make the following reservations on certain items.

With regard to the terms "money costs", "wage costs", and "wage rates", which are mentioned in various paragraphs of the report, we may state that the Committee had no opportunity of examining any evidence on international wage costs, so that no real inference can be drawn as to money costs in the different countries, merely from the figures of actual time rates of wages.

On the other hand, we take the view that insufficient emphasis has been given in the recommendations to other money costs, particularly the effect of the deadweight debt. Evidence was given that the effect of this is such that where in 1911 for the National Debt internal interest alone industry had to find 16 million pounds per annum, it now has to earn and hand over to the state 277 million pounds, while other fixed charges on industry have increased in like proportion.

At the same time the State, Public Authorities, and Public Utility Bodies have had to incur fresh debt on the construction of public work as a consequence of the depression and the failure of private enterprise to keep the workers fully employed. Hence it will be seen that Management and Labour are called upon to bear a burden almost too great for them, especially having regard to the falling price level.

We disagree with the recommendation in para-

graph 202, page 90:

> "Nevertheless it would appear as if a most important consideration for those in charge of the public revenue to bear in mind, so long as the future course of prices is uncertain, is the avoidance of any form of obligation involving a large addition to the contractual obligations of the State."

We take the view that any such recommendation would render impossible any solution or easement of the unemployment situation and would hold up such necessary internal work as Housing, Slum Clearance, Public Works and other schemes as mentioned in Addendum I.

In fact, private enterprise having proved totally unable to life the country out of the morass in which it is, there seems no alternative but for the State to grapple with the problem and for large measures of State planning, which must involve further obligations, to be adopted.

We also desire to point out that the Committee decided to examine monetary policy only on the basis of the gold standard and, therefore, no alternative to the gold standard was examined or discussed; but we take the view that, if it is found impossible to give effect to the recommendations on international policy (paragraph 251 and Chapter II, Part II), owing to unwillingness on the part of the countries concerned to co-operate, a point may be reached when the country may be compelled to go off the present form of the gold standard, and we take the view that the Treasury and the Bank of England should be considering an alter-

native basis in order to minimise distrubance if such a contingency should arise.

In regard to paragraph 281, we are firmly convinced that the great powers which the Bank of England already possesses, and which are contemplated should be developed more fully in the future, ought no longer to be left in the hands of a body which is in form a private profit-making institution, even though in practice it acts as if it were a public body. From the point of view of popular popular confidence, which is so great an element in these matters, we are convinced that the Bank of England ought to be transformed into a public corporation. While it should remain free from political influence, its governing body should not, even in form, be representative of private stockholders, nor should its membership be drawn very largely from one financial group. We think the minimum change required is the appointment of the governors by the crown, the establishment of an Advisory Council representing industry, commerce, etc., and the transformation of the stock into fixed-interest bonds.

With reference to the recommendations in Part II, Chapter IV (paragraph 403), we join in the recommendation for the creation of new machinery for financing industry, but strongly recommend that, instead of being a private institution, it should be a public corporation.

The remedy here proposed provides that under the management of men of "unchallengeable independence" national credit may be successfully issued and circulat ed and that it is the only means of financing the wage distributing public enterprise now necessary to give relief to unemployment, to raise the level of prices and to break the vicious circle that is now closing and tightening its strangling grip on all trade and commerce.

The Committee segregate domestic from internationa buying power and propose that gold shall be exclusivel used in settling international credit balances. The Committee also recognize what must now be obvious to almost everyone, that international prices, trade and credit cannot be controlled by the manipulation of gold, money, credit or "that delicate and beautiful instrument, the bank rate policy." Therefore, the Committee recognize that if stabilized prosperity is to be maintained in an age of plenty, the factors of credit, trade and prices must come under the deliberate control of national authority organized with that specific purpose in view.

The findings of fact in the Macmillan report brin us into the era that naturally follows the age of managed currency and managed bank credit. The report recognizes that we are now in an era when our future progress depends upon our ability to manage national credit and to control and regulate domestic and international trade. It is no longer a question of whether we can do these things. The issue now is that we must

do them or be destroyed by our own intelligence.

MANAGEMENT

The only criticism of condemnation of this programme comes from bankers, their associates and allies, and those unfortunate individuals who think it a mark of sophistication to repeat parrot-like the clever catch phrase propaganda that bankers sedulously put forth. "Keep the government out of business" is the slogan of predatory monopoly in industry, commerce and finance, that hopes by maintaining weak and pliant government to enjoy in the name of freedom the privilege of living in opulence from the unrighteous exploitation of both producer and consumer. It is the slogan of the racketeer and it explains the reason why people are led to a wholesale condemnation of their ability to elect from themselves men capable of maintaining the institution of responsible government.

We hear on every hand the cry that the elected representatives of the people cannot be trusted with the appointment of men charged with the responsibility of managing the nation's credit. Therefore, we must leave the management of money and credit to the tender mercies of such men as Sir Herbert Holt, Sir Thomas White, Sir Joseph Flavelle, Sir Charles Gordon and others of their type. Such men, answerable to no one but themselves, are the real rulers of the people. They are the Morgans and the Mellons of Canada.

Although we have established as a postulate of common law the rule that "where the same man sits on both ends of a bargain there can be no trade," we allow

bankers to manage the credit of the nation and the people for their own gain and profit. The disaster that was inevitable is here.

We are told that we cannot rely upon the power of government to create and circulate money and credit free from interest charges because it would issue and circulate too much. Therefore, we must maintain a private management that destroys progress and prosperity by issuing too little and charging too much. That kind of reasoning is tantamount to arguing that because an automobile might be driven over a cliff, it should not be driven at all.

The post-war career of the German mark is always brought out to freighten the multitude. The people, however, are never informed that German bankers, controlling the German government, designedly pursued the policy of destroying the value of the German mark by deliberate inflation for the purpose of liquidating all German debts payable in marks.

We are invited to accept the absurd presumption that we must always remain poor upon the groundless conclusion that national management of national credit must be attended by reckless, unthinking and vicious administration.

The fact is that we have tried the gold standard private managed private money system and it has ended in miserable failure. If we are to avoid disaster, we are now compelled to appoint managers of the monetary system responsible to nation and people as public servants and trustees. If they do what bankers have done and are now

doing, we can dismiss them, put them in gaol or line them up and shoot them as enemies of the State, guilty of treason. Men who for their own gain or with reckless indifference to national well being precipitate economic chaos are guilty of treason. We might have to shoot a few but we would not have to shoot very many before prope discipline would be established.

There is abundant proof that the creation and maintenance of the organization necessary to administer national credit and planned economy is no longer beyond the science of civil government that this age enjoys.

The men who collect the present enormous levy of taxation, excise and customs duties, once the profit making monopoly of the "publicans of old" and the "farmers of the revenue"; the officials who operate the postal service, not so long ago the lucrative privilege of private contractors; the judges who administer justice which, before Magna Charta, was "delayed, denied and sold" just as it is today in China; and the army of public servants who administer education, workmen's compensation, pension boards and a host of other public services are all appointed under the authority of the elected representatives of the people. It is a matter of real satisfaction to Canadians that they can say in truth that with rare exceptions our public officials are above and beyond the seductive temptation of private gain and equally free from the evil influence of corrupt political desire.

The record of our public officials proves that men drawn from our universities, banking officials, public administrators and business executives can be safely en-

trusted with all the great duties and responsibilities that are involved in the successful administration of national credit and planned economy. They must be given a position of "unchallengeable independence" and be provided with all the facilities necessary to their work. That can be done.

Extract from January 28th, 1933, issue headed "British Bank Heads Agreed on Gold Issue."

Controlled Inflation

McKenna urged international price lifting by means of debasing sterling.

" Controlled inflation, instead of being the remedy of fools and knaves, has become widely regarded as the best available solution to our troubles, particularly since it has become realized that a substantial rise in wholesale prices need have no more than slight effect on the cost of living," he said.

"It is, I believe, possible to achieve a rise in the internal price level by monetary management, and I am unshaken in this opinion by the frequent charge that reflation already has been tried and found wanting by Great Britain and the United States. Deliberate monetary management specifically designed to raise the price level has not been tested in either," McKenna concluded.

We have not yet learned but we are learning to appreciate that we must come to know and to understand the art of living in an age of plenty.

At 6 p.m. the Commission adjourned to resume in Calgary, Friday, August 18, 1933.

ROYAL COMMISSION ON BANKING AND CURRENCY

THE RIGHT HON. LORD MACMILLAN, P.C., K.C., Chairman.

SIR THOMAS WHITE, P.C., K.C.M.G. SIR CHARLES ADDIS, K.C.M.G.

BEAUDRY LEMAN, B. Sc., C.E. HON. J.E. BROWNLEE, K.C., M.L.A.

B. J. Roberts, Esq.,
Secretary.

A. F. W. Plumptre, Esq.,
Assistant Secretary.

PUBLIC SITTING

The Court House,

CALGARY, Alberta,
18th August, 1933.

SIXTH DAY

Robert Brydie,
Official Reporter.

Court House, Calgary, Alberta,
Friday, August 18, 1933.

The Commission resumed at 11 a.m.

THE CHAIRMAN: I believe we have the pleasure of the presence of His Worship the Mayor of Calgary this morning, who desires to say a few words to us.

MR. A. DAVISON (Mayor Calgary): My lord and members of the Royal Commission on Banking and Currency, I assure you on behalf of the citizens of Calgary that we feel it is a very great privilege to extend to you, sir, and your colleagues a very hearty and sincere welcome to our city. I think it is generally recognized that never in the history of our Dominion has there been a Royal commission appointed by any government that was of more importance than the one over which you have the honour to preside. We appreciate the magnitude of the task which you have voluntarily undertaken and we realize to the full the very grave responsibility that you have assumed, and so on behalf of our citizens I wish to extend to you our best wishes. To you, my lord, and to Sir Charles Addis, the two distinguished representatives on the Commission from the Old Land, I desire to extend a particular word of welcome, and to Sir Thomas White and Mr. Beaudry Leman, well known easter Canadians, I also wish to give a word of welcome. The citizens of Calgary are proud of the fact that one of our fellow townsmen, the Hon. Mr. Brownlee, is also a member of this Commission. Later I shall ask the privilege that our City Solicitor appear to present and read a brief which our council has prepared.

MR. A. McLEOD SINCLAIR: As the senior member of

the bar present I should like, my lord, on behalf of the local bar, which is about one-fifth Scotch, to say that the local bar appreciates very much the chairmanship of this Commission. I have only this to add, that every member of the bar of this province who will appear before you will, I can assure you, behave himself courteously.

THE CHAIRMAN: Mr. Mayor, Mr. Sinclair and gentlemen, I can assure you, speaking for myself and my colleagues, that we deeply appreciate the kind welcome that you have extended to us. We recognize that we are visiting a very important centre of industry and agriculture, and we hope that as a result of the information which we shall receive here we may be informed upon some of the topics which are naturally agitating the minds of all of us at the present moment.

I agree with you, Mr. Mayor, that the task which has been confided to us is one of great responsibility. May I say that it is also one of great interest. A study of the affairs of this great Dominion from the financial point of view is one of extreme interest, though no doubt one also of difficulty and complexity. I think, and I am sure you will agree with me, that we are taking the wise course in visiting every quarter of Canada in order that we may be on the spot and establish contacts with the very diverse interests which are to be found in Canada. We recognize that this great Dominion includes provinces whose concerns vary very, very greatly. Owing to climatic and economic conditions different problems arise in the different provinces and have to be met by different expedients. Anyone who desires to take an intelligent

survey of the whole of Canada ought therefore to visit as we are doing every region so that we may meet the representative citizens of those regions for ourselves, and hear the questions which for them are practical and urgent, and in that way when we come to prepare our report and make our recommendations we can feel that we are doing so in the light of instruction that we have received from every quarter of Canada.

It is very desirable, I think, in a matter of this sort, which although to some extent technical, affects the lives and vocations of every citizen that an opportunity should be afforded to everyone who has any contribution to make to express to this Commission his views and to tender us his help. We have already had a considerable body of evidence in the short time that has elapsed since we began our labours, and we have already received much valuable assistance. I am sure that here in Calgary also we shall have some very illuminating evidence.

What we are particularly anxious to have, if I may say so, is critical evidence. The burden is upon those who seek to show that there is anything wrong with the institutions of this country, and we want therefore as far as possible that the critical point of view should be expressed to us. Those who are able to point out what they conceive to be defects, those who are able to suggest remedies for such defects -- all such contributions to our discussion will be welcomed.

As you know, the primary occasion of our appointment is the arrival of the period when the Bank Act, which is the code of law operating in Canada for the regulation of

the banks comes up for revision as it does once in every ten years. In the past there have been five revisions of the Bank Act, and on each occasion additional expedients and improvements have been effected by parliament in that Act so as to adapt it still further to meet the requirements of the occasion. But upon this occasion, as I apprehend, the government before addressing themselves to the task of revising the statute, which task will be taken up later on by the government, thought it desirable in view of the very special experience of the last ten years during which all our institutions, not only our bank institutions but all institutions have been subject to very special stress and strain, and when the economic position of this country and of the world has been upset by unforeseen occurrences and has been involved in difficulties to which there really has been no precedent in the past -- the government thought it desirable on this occasion that the usual parliamentary procedure of revising the Bank Act should be preceded by a more comprehensive survey of the whole position than it was possible for the parliamentary committee to undertake. We have therefore been asked in the terms of our remit not to confine ourselves merely to technical questions of banking. They of course are very important. You want your machine to be as efficient and as well equipped for your purpose as possible. But we have been asked to consider more widely the economic position in which that banking system is operating to see how far it is equipped and capable of assisting that economic posi-

tion. Therefore witnesses need not feel that they are confined to merely technical questions of banking because we hope to make our recommendations in the light of that wider survey which we have been exhorted to make and which will embrace general financial questions affecting the provinces and affecting the Dominion -- questions of currency and many other questions in which I know that a very lively interest is taken throughout the Dominion. Therefore we shall welcome, we shall not hold irrevelant, if I may use a lawyer's expression, discussions of wider issues than merely banking matters. I think I have given you an indication of the way in which you can best help us. As you will realize, the size of Canada and the comparatively short time which we have in which to complete this remarkable itinerary make it difficult to cover the whole ground in the time which is at our disposal. We hope therefore that by being strictly practical to be able to attain all that is really useful to us in our necessarily somewhat brief visits to each centre.

I conclude, therefore, my opening remarks by thanking you, Mr. Mayor, once more for your very charming words and also the representative of the bar. I need scarcely say as one who has had the pleasure of seeing many members of the Canadian bar and greatly appreciates the assistance which they have given us in the judicial committee in London that it is particularly gracious to have such kind words of welcome extended to me coming from the Old Country and I am sure that Sir Charles Addis feels the same.

I think we might now proceed with our programme. This morning we are to have the privilege inthe first instance of a presentation of a case on behalf of the City of Calgary which I understand Mr. Brockington is to present. Would you be prepared to proceed now, Mr. Brockington?

MR. BROCKINGTON, K.C. (Counsel for the City of Calgary): May it please your lordship and members of the Commission, I am to have the honour of reading before you a short brief which has been prepared for submission to this Commission by the aldermen of the City of Calgary. It has not been prepared by experts, except perhaps by experts in hardships, and I may say that with the exception of a few differences amongst the aldermen as to wording, the general principles which are enunciated in this brief embody their views of what should be done for the alleviation of present conditions. The brief is supported by the unanimous vote of men of various political and other beliefs. I would take the liberty, sir, if I may of reading the brief, which is not verylong. I have nothing at the moment with which to amplify the words of the brief, but I shall be very happy within the very limited scope of my own experience and knowledge to answer any questions that you may wish to put to me if I am able to do so. The brief is as follows:

MEMORANDUM SUBMITTED TO THE ROYAL COMMISSION ON BANKING AND CURRENCY
By
HIS WORSHIP THE MAYOR AND COUNCIL OF THE CITY OF CALGARY.

May it please your lordship and gentlemen of the Commission.

The Council of the City of Calgary desires to take advantage of the public invitation issued by your Royal Commission on Banking and Currency, to draw your attention to a few matters cognate to the issues under investigation which have affected and tend to continue to affect the economic welfare of the Municipal Corporation of the City of Calgary.

In making these representations, the City Council regrets the lack of opportunity, which was presumably inevitable, of presenting its arguments with the amplitude that is probably necessary, but desires to reserve the right, which it understands the Commission is prepared to grant, to file further and better particulars at a later date.

The Cities of Canada have been faced with unprecedented and unjustly burdensome tasks. Obligations as to the relief of unemployment, old age pensions, the care of the consmptives, the insane and the feeble minded which are generally recognized elsewhere as definitely the obligations of the State have been placed upon municipalities and the rate payers who support such municipalities. Such burdensome incidents emphatically do not belong to

any individual class of taxpayers. As long as such burdens remain it is a duty of the State to afford municipal governments ample and generous credit facilities.

In presenting the following suggestions to the Commission, the Council of the City of Calgary wishes it to be understood that in so far as such suggestions involve criticism they are intended to be applicable to the general situation and not to any individual bank or banker. We desire respectfully to direct the Commission's attention to the following points:-

1. Present Credit Facilities.

(a) Differentiation between Eastern and Western Canada.

Subject to the provisions of the succeeding paragraphs as to increased and more favourable credit facilities, we desire to protest against any differentiation in the rates of interest chargeable as between Eastern and Western Canada. It is an accepted historical truth that the expansion and existence of Canada as a self-sustaining nation were only made possible by the economic development of Western Canada as the producer of raw products. The West has always laboured under a sense, sometimes vague and sometimes concrete, of economic injustice. The fact that cities in Western Canada and individuals in Western Canada are called upon to pay higher rates of interest than similar classes of borrowers in Eastern Canada contributes to that widespread feeling. It is understood that the banks maintain that the cost of doing business in Western Canada, (having regard to distance and sparsity of

population) necessitates some differentiation in interest charges. We presume that the cost of doing business in the rural districts of Quebec and Ontario is for the same reason heavier than the cost of doing business in Montreal and Toronto. We do urge that as long as banks possess wide charters and national privileges and are allowed to establish their branches throughout Canada, their business should be considered as a national whole and that no particular locality, particularly a pioneer locality, should be penalized by reason either of its distance from the bank's head office or for any other geographical reason. It is a principle of public utility service that rates shall be uniform. We think that the same principle should be applied to banks.

(b) Rates of Interest.

It is submitted that the rates of interest charged to Western municipalities both for short term loans and for longterm loans in general are too high. In the final analysis the credit of the major cities of Canada is the credit of the Dominion of Canada and of the provinces ofCanada. The securities behind municipal credit are in fact all the resources of the people of a municipality. For short term loans on first class security (such as taxes) present rates of interest varying from 5½ to 6% are excessive. It is stated, and the Commission no doubt has ample opportunities to confirm the truth or otherwise of the statement, that banks are allowed to borrow money from the Finance

Department of the Federal Government at rates as low as 2½%. It does not appear equitable that the money of one government should be borrowed at the low rate and lent to another smaller governmental unit at such an increase.

We suggest that provinces and cities, through the agency of provinces, should be allowed to borrow money from the central government on terms no less fabourable than those that apply to advances by the governmentto the banks.

(c) Difficulties of obtaining present credit.

At the present time the City of Calgary in common with other western cities is meeting unwarranted difficulty in obtaining adequate credit facilities for its necessary services. The city's bankers have declined to finance the city for the year 1933 except on a month to month basis notwithstanding the fact that at the present time the 1932 current carry-over of $750,000.00 has been reduced by tax arrears payments to approximately $270,000.00 and that the total debt to the city's bank on current borrowings is approximately $70,000.00. At the present time we have received no assurance of our ability to carry on until the end of the year and the School Board, which depends upon the city for its finances, is in a similar quandary. An additional difficulty is no

doubt caused by the apparent unwillingness of the head office of the bank to allow any power or discretion to local managers or superintendents. The continual reference to an eastern head office makes for delay, expense and misunderstanding and we do respectfully submit that no system should be allowed to continue which constitutes a bank official in Toronto or Montreal, the final judge as to whether a major city shall be allowed to perform its ordinary services for its citizens, to educate its children or to relieve its needy. It is possible, of course, that the various suggestions made to the Commission as to central banks or other aids to public financing would tend to solve this problem but in the meantime the existence of an apparent financial dictatorship tends to increase municipal difficulty and public unrest.

(d) Reduction of existing interest rates.

Western Canada, with its crops, its mines and its forests, is the most important part of the foundation of the agricultural, industrial and financial structure of Canada. The export of its products has improved Canada's foreign credit position and the Western provinces are the natural and usually profitable markets for the manufacturing interests of Eastern Canada. The City of Calgary and its contributory districts are not in a position to finance their own requirements and credit is of the utmost importance to our future growth and prosperity.

Our development has been rapid, perhaps too rapid, and our city has been obliged to provide within a very short period all the amenities and facilities of urban life. To effect these purposes we have been obliged to borrow large sums of money, the repayment of which, both as to interest and sinking fund sets a considerable strain upon the tax paying ability of our citizens. We do not know to what extent the Commission intends to make recommendations with reference to existing rates of interest and existing methods of payment of outstanding current and capital indebtedness by public bodies. We suggest that the various governments consider the establishment of tribunals as is stated to have been done in Australia, such tribunals to be charged with the duty of arranging composition as between debtor and creditor with a view to an agreed equitable refunding of existing debts upon a lesser interest basis.

2. Credit Assistance.

We trust that your Commission will report upon the feasibility and advisability of adopting some system whereby urban municipalities of definite status as to opoulation and financial standing can secure money for essential and necessary purposes either directly from the Federal Government or through the medium of an organization under its control on terms as advantageous as those accorded to chartered banks. We understand that the establishment of a central bank will be considered and we would respectfully suggest that consideration be given at the same time to the establishment either in conjunction with a central bank or

under the direct control of the Federal Government of a subsidiary corporation or board to be formed for the purpo of providing credit and financial assistance to the provinces and cities of Canada. The corporation or board charged with these cities should obviously be controlled by men of experience and ability. Any advances made by such corporation or board would be under proper safeguards and at such rates of interest as the financial position of the provinces and municipalities would warrant. While any advances to any province or municipality remained outstand ing its affairs could be subject to such supervision and control as might be necessary. While a federal or provinc guarantee of municipal debentures might not be considered feasible (although we hope it will be considered), the institution of such a corporation or board should have the effect of reducing rates of interest to provinces and municipalities while greater and necessary control over foreign borrowings might reasonably be so exercised.

3. Convertibility of Dominion Notes

Gold Payment and Foreign Exchange

For almost 60 years prior to the Great War, Canada was on the gold standard and never during that period was the obligation of the Dominion Government to redeem its notes in gold or to permit free export of its gold from this country refused or prohibited. During the war and during the recent economic stress the free redemption of Dominion notes for gold and the right to export gold from Canada were suspended both by Order-in-Council and by Act of Parliament. The solemn obligation of our government

to redeem its notes in gold on demand and to permit the free export of gold, confirmed as it was by statute and continuous practice, made it appear quite safe for municip copontions as well as for other persons to enter into obligations and issue bonds and other securities payable in gold, both within and without Canada. So long as the government of Canada honoured its contract founded on statutory obligations no material loss could be caused to municipalities and other persons having such foreign and quasi foreign obligations. The refusal of the Dominion Government to redeem its Dominion notes in gold and also to allow the export of gold placed upon Canadian municipal ities and others a very serious prospective loss. As suc prospective losses were caused by the repudiation of the Dominion Government's contract with its own citizens we are strongly of the opinion that however wise and necessa such action on the part of the Dominion Government might have been it should not have been allowed to operate to t prejudice of those cities and others in Canada who relied upon the Dominion Government's promise. It is therefore recommended that so long as Canada does not permit redemp tion of its Dominion notes in gold at par and the free export of gold, the Federal Government should take legal steps with the following objects in view:

(a) To domicile within Canada all bonds of Canadian municipalities held by Canadians and to restrict the payment of any contract bond or debenture calling f payment in gold to payment in legal tender of the

Dominion of Canada as full settlement of the obligation or debt.

(b) In so far as any such obligations are determined to be legally payable to citizens of countries other than Canada in gold or in the equivalent of the currency of any foreign country the Federal Government should either provide gold for export or should agree to indemnify municipalities and others against any additional expense caused by the Dominion Government's failure to honour its original statutory obligations.

(c) It is recommended that the Federal Government constitute a permanent Commission or Board whose duty it would be to advise upon and have supervision over the foreign borrowing of provinces and municipal governments. The existence and functioning of such a board would tend towards the fiscal independence of Canada which is a situation generally considered as desirable.

4. Banks and Exchange.

During the recent foreign exchange fluctuation the banks of Canada have urged the payment of premiums on American exchange wherever any city in the United States has been mentioned as a place of payment. In many instances pressure has been brought to bear to ensure such payment and Canadian holders of debentures and other securities so payable have been encouraged by the banks to demand United States premium. We suggest that your Commission in its inquiry demand from the banks of Canada a statement in as much detail as possible of the profits made upon exchange

transactions by banks whether acting as fiscal agents or otherwise and that the Federal Government be requested to furnish you with a statement of all acquisitions of gold by any bank in Canada, the price at which such gold was obtained and of all permits to export gold from Canada, together with a statement of corporations to which such permits were issued and the purposes for which such export were allowed.

All of the above is respectfully submitted on behalf of the City of Calgary.

(Signed) A. Davison,

Mayor.

(Signed) J. M. Miller,

Clerk.

(Page 750 follows)

THE CHAIRMAN: We are very much indebted to you, Mr. Brockington. You seem to have covered very fully these critical matters in which the municipality is interested. We have already heard something of some of your topics but you have focused them for us, if I may say so, with great clarity. I understand that as this document represents the considered corporate opinion of the municipality it perhaps might not be desirable to ask you questions in any detail as your authority is no doubt limited by the brief which you have just presented.

MR. BROCKINGTON: That is so, my lord. I would like to emphasize that the aldermen have been asked to consider these and any other questions that might arise, and we reserve the right which I am sure your lordship will grant to file any further particulars or details as occasion may arise.

THE CHAIRMAN: I thank you. I should have said in my opening remarks, as I have said elsewhere, that we shall welcome any written representations that anybody wishes to make. Often after an inquiry of this sort people have after-thoughts which after hearing the scope of the inquiry bring to their minds other subjects they wish to explore. The advantage of written explanations is that they are always more precise being presented as the considered opinions of those who framed them. We are very much indebted to you, Mr. Brockington, and the various matters which you have presented will have our careful consideration.

I understand that the Board of Trade of Calgary is represented by Mr. Moffatt this morning.

MR. D. S. MOFFATT:K.C. (Counsel for Calgary Board of Trade): My lord and members of the Royal Commission, the time at the disposal of the Board of Trade has been so short that we considered it better to follow the suggestion in the published notice of your proceedings and to file with you a very short memorandum of what we wished to discuss, and then to ask for your permission to file a fuller brief later on, supplying evidence and other material to substantiate our points. With your permission, therefore, I shall now proceed to read the brief which is very short:

PRECIS OF MATTERS TO BE URGED BY THE CALGARY BOARD OF TRADE BEFORE THE ROYAL COMMISSION ON BANKING AND CURRENCY THAT IS SITTING IN CALGARY ON AUGUST 18,1933

The Calgary Board of Trade wishes to make certain representations to the Royal Commission on Banking upon the following points.

1. Credit is an important factor in the life and development of a comparatively young country like Canada and this is particularly true of a province like Alberta with the large portion of its agricultural lands awaiting settlement and most of its other natural resources still undeveloped.

It is therefore necessary we believe that our banking and general financial arrangements should be such as will give assurance to lenders that the security upon which they loan money will not be interfered with by legislation.

The expansion and contraction of bank credit through its aeffect on that general level of commodity

prices may affect the burden or benefit of every contractual relationship. The general policy of banks in the supply or withdrawal of credit should therefore be influenced to a greater extent than we believe has been the case in the past, by the effect which such expansion or contraction may have on general business conditions.

2. Some months ago the interest payable by banks on demand savings deposits was, with the approval of the Dominion government, reduced one half of one per cent.

Except in the case of the loans of certain large public bodies, it is our belief that the benefit received by the banks from this reduction has not been accompanied by a general corresponding reduction of interest rates on their commercial loans in this province.

While we regret that we have no data to present on the subject we would respectfully request that your Commission give consideration to the high rates of interest obtainable at the present time from provincial and municipal securities, particularly those of western Canada, and the extent if any to which loans made by banks directly to municipal and provincial bodies and to their clients upon securities issued by these bodies together with the purchase by the banks themselves of such securities has affected the supply of money available for commercial purposes and the rates of interest on same.

3. That while banks in Canada are primarily regulated and governed by the provisions of federal law yet the willingness of banks to supply credit for the needs of

business in general may be greatly affected by provincial laws.

That anything that affects the free movement of capital, the safety of investments, the stability of contracts and the credit of the borrowers must react against the safety of the bank's investments and securities within the province.

4. Without questioning the good intentions of those responsible for certain legislation yet the trend of this legislation in Alberta has been to impair the security of contracts, render investment and securities for money loaned unsafe, particularly where farmer-borrowers or farmer-purchasers are concerned.

That as a result capital is being withdrawn, loan companies, insurance companies, mortgage companies and others controlling capital are refusing further to lend money in the province on the security of movable and immovable property.

In the final result the financing of the permanent as well as the temporary needs of business and the development of our natural resources is left to loans from banks, which being limited to loans on security of liquid assets, insufficient capital is available for the best development of our province.

That any extension of the bank's powers to loan to meet this situation would be unsafe as it would involve tying up of what should be liquid assets in frozen securities and thereby bringing upon us a condition similar to that which has existed under the banking system of the United States.

This board asks permission to file a written brief setting out in detail the matters referred to above as the time at the disposal of the board has been insufficient to do so for this hearing.

(Signed) D. S. Moffatt

Counsel for Board of Trade.

I would like permission, my lord, to file a brief with the Commission within a week or ten days.

THE CHAIRMAN: You have touched upon some of the most critical points in this short memorandum, if I may say so, and we would welcome some development of these topics particularly from the point of view of Alberta. Would it be possible say in a fortnight's time to put your brief in shape?

MR. MOFFATT: That is quite ample, my lord.

THE CHAIRMAN: And perhaps you would send it on to Ottawa to the Department of Finance where we shall be accumulating some material for further study. Then we shall have an opportunity to consider it along with the other material.

MR. MOFFATT: I shall be glad to do so.

THE CHAIRMAN: We are a little unfortunate in this room in which we are meeting. I understand that there is quite a large number of the public interested in our inquiry who cannot get a place in this room. Is it not possible to let some more of the public in?

Is Mr. Gardiner present?

MR. ROBERT GARDINER, M.P. (Acadia): Yes, sir.

THE CHAIRMAN: You are the president of the United

Farmers of Alberta, I understand, and are good enough to help us with a contribution to-day. I understand that quite a number of people who are interested in this inquiry are waiting outside, and it is very undesirable that they should not hear what is going on, particularly your statement if I may say so. His Worship the Mayor has offered to provide us with accommodation in the council chamber which I believe would take in everybody who is interested. Would it be possible for us to adjourn to meet there now?

MR. GARDINER: Quite so, as far as I am concerned, your lordship.

THE CHAIRMAN: It would be a pity to take your statement in the absence of the public who wish to hear it. I am told that there are forty or fifty people waiting outside at the present moment, and if we fill this room much more we shall have a repetition of the historic incident of the Black Hole of Calcutta. That would be very unfortunate although it might provide a solution for the troubles of a good many of us. I think people like to hear each other's evidence.

SIR THOMAS WHITE: They should too.

THE CHAIRMAN: Suppose we take some individual witnesses just now and then we might rise at 12.30 after hearing personal witnesses who have some points of their own to make which may not be of so much general interest. Would that be quite satisfactory to you, Mr. Gardiner?

MR. GARDINER: Quite satisfactory, my lord.

THE CHAIRMAN: Then I think we will continue with

these other witnesses until 12.30. Perhaps Mr. Gardiner you might be our emissary to your friends outside and explain with our regrets what we propose to do in order that we may be able to accommodate them.

MR. GARDINER: All right, my lord.

THE CHAIRMAN: We shall now examine one or two individual witnesses who have tendered their names. The first is Mr. Layzell. Is Mr. Layzell here?

MR. LAYZELL: Yes, my lord.

THE CHAIRMAN: I believe you can give us some information from the farmers' point of view.

MR. LAYZELL: I think so, my lord.

THE CHAIRMAN: We shall be very glad to hear you.

MR. LAYZELL: I have been farming in this country for a great number of years, have been ranching and in the cattle business. I do not know exactly what you want to know.

THE CHAIRMAN: To put it quite frankly we want to know how you get along with your bankers.

MR. LAYZELL: I have done pretty well. I have not been borrowing money because I am more or less of a dealer.

THE CHAIRMAN: A dealer in live stock?

MR. LAYZELL: Yes, and a breeder of horses for the farms.

THE CHAIRMAN: How do you work with the banks? Do you get seasonal advances and pay them off when your money comes in?

MR. LAYZELL: Sometimes I borrow for thirty or ninety days or a longer period.

THE CHAIRMAN: What rate of interest do they charge

you?

MR. LAYZELL: Seven per cent.

THE CHAIRMAN: Has that been the rate of interest for very long?

MR. LAYZELL: It was a little more than that but they cut it down recently.

THE CHAIRMAN: The rates do not vary very much.

MR. LAYZELL: Not a lot. They were generally eight per cent in years gone by.

THE CHAIRMAN: Can you tell us when the seven per cent rate came into effect?

MR. LAYZELL: I am not sure, but I think only just during the last six months.

THE CHAIRMAN: Is that a uniform rate for borrowers irrespective of the security they offer?

MR. LAYZELL: As regards farmers and dealers and that kind of people, I think so. That is all I know about it.

THE CHAIRMAN: In your own case what security do you offer?

MR. LAYZELL: I have had pretty fair security. I have some life insurance and I had pretty good backing.

THE CHAIRMAN: Another name?

MR. LAYZELL: Yes.

THE CHAIRMAN: Do you use section 88?

MR. LAYZELL: I do not know what section 88 is, my lord.

THE CHAIRMAN: You are perhaps fortunate. It is an expedient devised in Canada for using as security stock

and other things which are retained in the possession of the borrower. It is an expedient which I am informed is very useful in some quarters, but you apparently are a very normal borrower.

MR. LAYZELL: I was rather a big borrower years ago.

THE CHAIRMAN: Did you always get what you needed?

MR. LAYZELL: They have been pretty fair to me. I have not much kick coming, although they were pretty hard to persuade sometimes.

THE CHAIRMAN: That is not uncommon.

MR. LAYZELL: I was pretty capable of that.

THE CHAIRMAN: While your own experience in relation to the banks has evidently been quite a pleasant one have there been to your knowledge others less fortunate?

MR. LAYZELL: Yes, I know this country pretty well. I have been in the live stock business as a dealer and salesman and in the auction business as a dealer and salesman and my business takes me over a large territory and from what I have seen and heard the farmers are up against a very difficult proposition. There is no market. I do not know that there is anything that a bank can lend money on in the way of live stock that would be good security because there has been a considerable drop in the market. Not long ago I bought a number of cattle at what I thought was a pretty cheap price and a week later I could have bought them for $2 a head cheaper. There seems to be no tendency towards improvement.

THE CHAIRMAN: You could not expect the banks to

assist in cases where there is no security.

MR. LAYZELL: No, I do not think anybody would.

THE CHAIRMAN: Have you in the course of your contacts with the farming interests cases where although there was reasonable security credit has been unduly restricted?

MR. LAYZELL: No, I have not.

THE CHAIRMAN: You have not come across such cases?

MR. LAYZELL: No, not where the security has been really good.

THE CHAIRMAN: Has the hardship been really this, that the farmers owing to the fall in prices and the difficulty of disposing of their production have been in a difficult position themselves and have not been able to put up a good statement to the banks?

MR. LAYZELL: Yes, their security has diminished all through the past year. Many years ago a farm team of horses was worth over $300. To-day such a team is worth only $100 and it is hard to find a market for them.

THE CHAIRMAN: A farmer starting up would be able to get his horses much cheaper than many years ago?

MR. LAYZELL: There was never a time in the history of Canada when a man could stock a farm as cheap as he can to-day. A lot of the farmers went in for tractors, which I think was a great mistake, but they have got over that and find that they can farm more with horses.

THE CHAIRMAN: In the period of prosperity, perhaps I might say of extravagance, which naturally followed after the war, is it correct to say that the farmers over-expende

to any extent?

MR. LAYZELL: Yes, that was one of the great faults and one of the worst things that happened. I think it would apply to seventy-five per cent of the farmers.

THE CHAIRMAN: If that prosperous period had not been entered upon and they had not spread themselves and over-expended there would not have been the same difficulty?

MR. LAYZELL: Yes.

(Page 775 follows)

THE CHAIRMAN: They thought that a prosperity period had been entered upon, and they would "spread themselves " a bit?

MR. LAYZELL: Very much, my lord.

THE CHAIRMAN: In equipment and things of that sort? Better equipment for the farms?

MR. LAYZELL: Too expensive equipment. They bough combines and that kind of thing, where there was perhaps only one year in ten when they could use them.

THE CHAIRMAN: The salesmen were pushing those things pretty hard?

MR. LAYZELL: Yes; they employed a lot of high pressure salesmen.

THE CHAIRMAN: And the farmers yielded to that high pressure and attempted to spend rather more than was economically wise?

MR. LAYZELL: Yes, my lord, that was the case.

THE CHAIRMAN: In the hope that times were on the up-grade and they could take care of the costs as they arose?

MR. LAYZELL: Yes.

THE CHAIRMAN: How did they buy their combines?

MR. LAYZELL: There was not a set rule to go by; they paid about one-third on the average, but in some cases they did not ask that much. They took security on the machinery and soforth.

THE CHAIRMAN: The manufacturers did?

MR. LAYZELL: Yes.

THE CHAIRMAN: Did the banks assist in financing these purchases at all?

MR. LAYZELL: I do not think so, my lord.

THE CHAIRMAN: Do the farmers use their plants, as they can in this country, as security to the bank?

Mr. Layzell: Yes, in lots of cases.

THE CHAIRMAN: Although the prices had not been paid fully to the manufacturer?

MR. LAYZELL: No, that would not be security. I find quite a lot of the sales I get, their chattels are mortaged to the bank. That has applied more in the last few years than previously.

SIR THOMAS WHITE: I suppose that over-optimism was not confined to thefarmers?

MR. LAYZELL: No, I think to everybody, Sir Thomas.

SIR THOMAS WHITE: It was very general?

MR. LAYZELL: Yes.

HON. MR. BROWNLEE: Mr. Layzell, your principal business is dealing in live stock, and you work as an auctioneer?

MR. LAYZELL: Yes.

HON. MR. BROWNLEE: So that in financing, what you required from the bank, your applications would hardly be regarded as coming from a farmer, but rather from an auctioneer?

MR. LAYZELL: Yes, I think you are right.

HON. MR. BROWNLEE: And the money was used very largely for dealing in live stock?

MR. LAYZELL: Yes, I have used some on my farm; I have two farms besides that.

HON. MR. BROWNLEE: And you say you had a backe besides.

MR. LAYZELL: Yes.

HON. MR. BROWNLEE: Your business, which brings you in contact with the farmers, would largely be centered around the southern part of Alberta?

MR. LAYZELL: More to the east.

HON. MR. BROWNLEE: So what you have to say about the over-expansion of the farming industry, from your experience, would be largely within this area with which you come in contact.

MR. LAYZELL: Yes. I know that area more particularly.

HON. MR. BROWNLEE: When you speak about over-expansion, is my information inaccurate that that expansion following the war was very largely incurred as a national proposition, and the call went out for greater production?

MR. LAYZELL: Yes, absolutely.

HON. MR. BROWNLEE: That is, with the whole nation behind it.

MR. LAYZELL: Yes.

HON. MR. BROWNLEE: And therefore the over-expansion was not so much the outburst of enthusiasm on the part of the farmers as their response to a national appeal.

MR. LAYZELL: Yes, to buy cattle and things like that. That was encouraged - hogs and everything else.

HON. MR. BROWNLEE: There is no doubt that many of the difficulties subsequently experienced by the farmers were the result of that expansion which came as a result of the cumbination of high prices

and a national appeal.

MR. LAYZELL: Yes, advertising--that was the cause of it.

HON. MR. BROWNLEE: In your business as a live-stock dealer, you would be in a position to give us some expert evidence on the live stock situation in this province?

MR. LAYZELL: Yes.

HON. MR. BROWNLEE: And Alberta is possibly the best situated of any province in Western Canada for the raising of live stock?

MR. LAYZELL: I do not think there is any place in the world as good.

HON. MR. BROWNLEE: And that business, which developed from the old ranching business in Western Canad has practically failed?

MR. LAYZELL: Yes.

HON.MR. BROWNLEE: And can you give us some relative figures of the depreciation in live stock since 1925 down to the present time?

MR. LAYZELL: I think, roughly, seventy-five per-cent.

HON. MR. BROWNLEE: From your position as an expert in that business, would you venture to suggest some of the reasons contributing to that failure? Had the Fordney Tariff in the United States anything to do with it?

MR. LAYZELL: Yes, it stopped the market from Chicago.

HON. MR. BROWNLEE: What about the British Market

Would you say there was a possibility of a good market in Great Britain if certain factors could be adjusted?

MR. LAYZELL: My impression is that we are too far from that market. We are six thousand miles from that market over the highest priced railway in the world.

HON. MR. BROWNLEE: You think it is a combination of distance and freight rates?

MR. LAYZELL: Yes.

HON. MR. BROWNLEE: So if there were a relationship established between the value of our Canadian money and the English pound, do you think that might overcome these difficulties, so that there would be a substantial increase in the markets overseas?

MR. LAYZELL: I do, sir.

HON. MR. BROWNLEE: And by carrying on a policy of that kind, and putting it into effect, you think the live stock industry in this province would be substantially improved?

MR. LAYZELL: Absolutely. In the early stages we shipped a lot of cattle which was not fit. I know the cattle market of thirty or thirty-five years ago, and we shipped the cattle from here and finished them in the Old Country.

HON. MR. BROWNLEE: Just one question and then I am through. Is it a fact - as my information would lead me to believe - that during the last three or four years the movement of cattle from this Province to Great Britain has fluctuated to some extent, according to the relationship of the exchange?

MR. LAYZELL: Yes.

HON. MR. BROWNLEE: There have been periods when it was possible to make it pay.

MR. LAYZELL: Yes, to make it pay.

HON. MR. BROWNLEE: And to sell considerable in the United Kingdom.

MR. LAYZELL: Yes. It was quite a gamble; if you were lucky to hit a good market you made some money; if you were not, you did not. You were liable to lose it.

HON. MR. BROWNLEE: Just one other question: from your experience with the farmers, could you say what the variation in interest has been, say, in the last three years, and what would you say would be the average rate which the farmers pay?

MR. LAYZELL: From eight per cent. to nine per cent. I believe.

HON.MR. BROWNLEE: And what would you say would be the maximum rate which has been made, according to your contact with the farmers?

MR. LAYZELL: I do not quite "get" that question, Mr. Brownlee.

HON. MR. BROWNLEE: How high has it gone? Do you know of cases where more than nine per cent. was charged?

MR. LAYZELL: I do not know of them, sir.

THE CHAIRMAN: Thank you, Mr. Layzell; you have given us some very useful evidence, if I may say so.

Is Mr. Corlet in the room?

MR. CORLET: Yes, my lord.

THE CHAIRMAN: Will you kindly come forward

to the table?

I believe you can give us some information, from the point of view of the meat-packing industry, and we shall be very glad to hear anything you may care to say.

MR. CORLET: Along what line, my lord?

THE CHAIRMAN: Along the line of your relationship with your bankers. We do not desire to ask you anything about your personal affairs, but speaking as one with some knowledge of a particular industry - a particular class - I would like to know how far you have found the facilities which your bank provides to be adequate and whether you have any reasonable grounds for complaint, or suggestions to put forward which you think might help you in your business?

MR. CORLET: I am free to say, my lord, and gentlemen, that our relations with the banks have been very happy.

HON. MR. BROWNLEE: You speak for the P. Burns Co.?

MR. CORLET: Yes.

THE CHAIRMAN: You are a large concern?

MR. CORLET: Yes.

THE CHAIRMAN: You are the sort of customer where the front door of the bank is thrown open to you?

MR. CORLET: Oh no, not necessarily.

THE CHAIRMAN: At any rate, you are a good customer.

MR. CORLET: Yes.

THE CHAIRMAN: With a large account?

MR. CORLET: Yes.

THE CHAIRMAN: And meet your obligations as they fall due?

MR. CORLET: Fortunately we have been able to do so.

THE CHAIRMAN: That is the kind of customer the bank likes to see, but you must have had some contact with other persons in your industry who perhaps have been less fortunate?

MR. CORLET: No, I do not think so. We do not come in contact with that sort of thing. Occasionally we have complaints from people that they have good securities in live stock, and cannot get a loan, but we do not go into the reason for that. Many have come to us and asked us for advances when they could not get them from the bank, but as to the reasons we did not enquire.

THE CHAIRMAN: In your own case, will you tell us your method of financing? As meat packers you buy the meat?

MR. CORLET: We buy the live stock on the hoof.

THE CHAIRMAN: And slaughter it?

MR. CORLET: Yes, slaughter it and process it, and we borrow on these goods for our requirements under Section 88.

THE CHAIRMAN: You do use Section 88?

MR. CORLET: Yes.

THE CHAIRMAN: You export your products?

MR. CORLET: We export hog products, and a certain amount of canned products.

THE CHAIRMAN: Will you tell me the percentage

of your business which is exports, and what percentage is for domestic consumption?

MR. CORLET: I imagine from five per cent. to seven per cent.; it is comparatively small.

THE CHAIRMAN: And the rest is entirely utilized in Canada?

MR. CORLET: In Canada, yes. We have a small export business in the United States, but it is comparatively small since they raised the tariff in the United States.

THE CHAIRMAN: Do you send much to the east?

MR. CORLET: The Far East?

THE CHAIRMAN: No, Eastern Canada.

MR. CORLET: Yes.

THE CHAIRMAN: That is a free market?

MR. CORLET: Yes, for what we call our "cll" business" - that is, carload lots.

THE CHAIRMAN: You use section 88 for the security you offer?

MR. CORLET: Yes.

THE CHAIRMAN: And your turnover is fairly quick?

MR. CORLET: Yes. The banking business is largely seasonal. We accumulate our products before the first of the year, and before the next accumulation comes, that must be cleared.

THE CHAIRMAN: Do you finance your purchases by advances from the bank?

MR. CORLET: At certain highly accumulative periods of the year we have to lean a little more heavily on our bank.

THE CHAIRMAN: What rate of interest have you to pay?

MR. CORLET: Six per cent.

THE CHAIRMAN: Is that because of the specially approved securities you are able to offer?

MR. CORLET: No, I do not think so; any fairly good risk could get six per cent. in industry to-day; that is what I am told.

THE CHAIRMAN: Has that rate obtained for some time?

MR. CORLET: Yes.

THE CHAIRMAN: Does the rate vary at all according to the nature of the security?

MR. CORLET: It never varies with us; it is a flat six per cent. all the time.

THE CHAIRMAN: And does not rise nor fall with the general credit position?

MR. CORLET: No.

THE CHAIRMAN: It is uniform rate?

MR. CORLET: Yes.

THE CHAIRMAN: And has been so as long as you remember?

MR. CORLET: At one time during the war when they were very large, we paid one-half of one per cent. more, but that is the only variation I have known in twenty- two years.

HON. MR. BROWNLEE: What would be the annual volume of your turn-over, Mr. Corlet?

MR. CORLET: In what particular way, Mr.Brownlee?

HON. MR. BROWNLEE: What would be the turnover in the course of the year - what would be your total sales?

MR. CORLET: If I am not compelled to say that, I would prefer not to answer.

THE CHAIRMAN: No, that would be going into your personal business, of course.

SIR THOMAS WHITE: Yes, I should think so.

HON. MR. BROWNLEE: Have you discontinued or do you still continue to do business in England?

MR. CORLET: We do a lot of business in England. We are shipping all the time.

HON. MR. BROWNLEE: I know you formerly did - in 1927 ?

MR. CORLET: Yes.

MR. BROWNLEE: Has that business remained uniform, or has it increased or decreased?

MR. CORLET: It has increased since the Imperial Conference very materially.

HON.MR. BROWNLEE: For what reason?

MR. CORLET: On account of the quota given to Canada, and the holding up of productions from other countries.

HON MR. BROWNLEE: On what productions?

MR. CORLET: Hog products chiefly. Those are what we export almost entirely, apart from certain canned lines.

THE CHAIRMAN: Has the exchange position affected you much?

MR. CORLET: Yes.

HON. MR. BROWNLEE: In what way?

MR. CORLET: When the market is available in England, and when the exchange is down to $3.60 or $3.75, we could not get into that market. To-day you can. And do not forget that England is always a surplus market only; it is really the most speculative market you can get into. For example, if the exchange is rising, the Englishman is aware of that fact, and is asking for lower prices, and one feature off-sets the other. That is why I say it is entirely a surplus market.

MR. LEMAN: Do you say that the five per cent. or seven per cent. of your exports includes your shipments to Great Britain?

MR. CORLET: Yes, from five per cent. to seven per cent. of our entire business. Of course, at some periods of the year it is very much higher, but taking it right through, that is about right.

SIR THOMAS WHITE: In the past, what would be the proportion of your export business to your entire business?

MR. CORLET: It is difficult to say -

SIR THOMAS WHITE: Oh, roughly ; has there been a materialdrop?

MR. CORLET: Oh, undoubtedly. In some years there has been a very material drop.

SIR THOMAS WHITE: But what percentage, on the whole?

MR. CORLET: Well, -

SIR THOMAS WHITE: There was a very interesting point you touched on a moment ago. If you got the advantage in the exchange, do you suggest that the price of your exported product would drop?

MR. CORLET: Oh, undoubtedly. As a rule, for our supplies in England, they keep themselves more or less informed, and if the exchange drops, they immediately ask for a change in price. I have actually seen telegrams come in saying, "Exchange rate today is so-and-so; consequently we are looking for lower prices." They do not overlook anything of that sort.

THE CHAIRMAN: Thank you very much, Mr. Corlet.

SIR THOMAS WHITE: Just one moment, Mr. Corlet?

THE CHAIRMAN: Yes, please; Sir Thomas would like to ask a question.

SIR THOMAS WHITE: Do fluctuations in the exchange embarrass you, or are you able to hedge your transactions? Do you understand what I mean?

MR. CORLET: Yes, I do. We sell on the exchange on our futures, just the same as selling at sixty or ninety days.

SIR THOMAS WHITE: Do you find a great difficulty in the fluctuations from hour to hour or from day to day?

MR. CORLET: No.

SIR THOMAS WHITE: You are able to meet that?

MR. CORLET: Yes - it is not so marked at the present time owing to the stable exchange the last few months, but previous to that I have seen it on one occasion where we were accumulating our stock at a

price of exchange of about four dollars, and we thought we were fairly safe on that, but when we came to market our product we found it had dropped to $3.58, which meant a loss and not a profit.

There is another factor: People say to us, "Why do you not take advantage of that wonderful opportunit and ship your live stock to the British market", for - getting the fact that there is only about thirty-five percent or forty per cent. of our live stock can go there. The others are not suitable and cannot go into that market.

SIR THOMAS WHITE: Where is your main competition in the British market?

MR. CORLET: Our most difficult competition is from the Continent, Denmark chiefly, and Lithuania and Poland as well.

THE CHAIRMAN: Thank you very much, Mr. Corlet. I might announce that this afternoon we shall meet in the ball room at the Palisser Hotel. His Worship the Mayor has been good enough to make this arrangement, so that after we have heard a few more gentlemen, we shall adjourn to meet there at two o'clock this afternoon. This should be made known at the earliest moment.

I observe amongst the list of witnesses Mr. R.L. MacMillan, a Rancher from High River. I shall be pleased to meet a fellow clansman. If Mr. MacMillan is present will he please come forward.

MR. MACMILLAN: Yes, my Lord.

THE CHAIRMAN: We shall be glad to hear what you

care to tell us from your particular industry.

MR. MacMILLAN: I have no brief prepared; I understood you were going to ask a few questions.

THE CHAIRMAN: That is exactly what I contemplated. Where is your ranch?

MR. MACMILLAN: West of High River, forty miles south of here.

THE CHAIRMAN: As you understand, we are especially anxious to find out how far the banks here have been able to assist the various industries, and what your relations with the banks have been?

MR. MACMILLAN: My relations with the banks have been very good.

THE CHAIRMAN: Have you a large ranch?

MR. MACMILLAN: Quite a large ranch, yes.

THE CHAIRMAN: To what extent do you find it necessary in the course of business to resort to the bank? W hat do you do with the banks, I mean - what are your relationships?

MR. MACMILLAN: Well, I am generally a borrower.

THE CHAIRMAN: Rather than a depositor?

MR. MACMILLAN: Yes.

THE CHAIRMAN: I hope your borrowings sometimes results in deposits in the end. Tell us about your experience in borrowing, the rate you pay, and soforth.

MR. MacMILLAN: I have paid seven per cent. for some years now, but before that up until about ten years ago, I think we paid eight per cent.

THE CHAIRMAN: Does the amount of your borrowings varywith the season? A.

MR. MACMILLAN: Oh yes.

THE

THE CHAIRMAN: You run a sort of, what we call in Scotland, a cash and credit to the bank?

MR. MacMILLAN: Yes.

THE CHAIRMAN: Which will go up and down according to your seasonal requirements?

MR. MACMILLAN: Up and down. We may borrow anywhere from $10,000 to $20,000 or $30,000, and probably will make a turnover of beef, or something, once or twice a year, and reduce our liability to the bank--wipe the bank out.

THE CHAIRMAN: But you run this cash credit balance?

MR. MacMILLAN: Yes.

THE CHAIRMAN: And I think you say you were charged seven per cent.?

MR. MacMILLAN: Yes, seven per cent.

THE CHAIRMAN: Well now, what security does the bank take from you?

MR. MacMILLAN: In late years it has been under section 88.

THE CHAIRMAN: On live stock?

MR. MacMILLAN: Yes.

THE CHAIRMAN: Anything else?

MR. MacMILLAN: Cattle. I also farm a little; I am farming about 3,000 acres.

THE CHAIRMAN: Is any of the produce of your farm offered in security by you?

MR. MacMILLAN: No.

THE CHAIRMAN: Your security has been entirely on live stock?

MR. MacMILLAN: Yes.

THE CHAIRMAN: Sofar as your own experience is

concerned, you have no credit difficulties with your banker

Mr. MacMILLAN: Yes. My relations with the bank have been alright; no complaint whatever. They probably have been too good to us.

THE CHAIRMAN: You think it might have been better if they had brought you up with a round turn, do you?

MR. MacMILLAN: Yes, I think so.

THE CHAIRMAN: But there was, as Premier Brownlee has brought out, a general expansion encouraged in that quarter for a time?

MR. MacMILLAN: That was after the war.

THE CHAIRMAN: Did that, in your experience amongst the ranchers, also show itself?

MR. MacMILLAN: Yes, Along about 1918 or 1919 I think most of the ranchers loaded up heavily with cattle.

THE CHAIRMAN: Did that involve a loss in later years?

MR. MacMILLAN: Prices dropped. We had a hard winter in 1919, and after that prices started to decline, and that ran up in 1922 and 1923 under similar conditions to what we have now, although probably not so severe.

THE CHAIRMAN: Are part of the difficulties due to an inheritence from that time? Were there indebtednesses incurred in that period of assumed prosperity which have not been liquidated since, and which have been a burden?

MR. MacMILLAN: Yes, I think so, from the effects of the war, probably.

THE CHAIRMAN: How about the prices you get?

Has there been a very bad drop in prices?

MR. MacMILLAN: Now?

THE CHAIRMAN: Yes.

MR. MacMILLAN: Well, about seventy-five per cent.

THE CHAIRMAN: Where do you sell your stock?

MR. MacMILLAN: I have been exporting mostly.

THE CHAIRMAN: What market?

MR. MacMILLAN: To the British market-- that is the only market we have to export to.

THE CHAIRMAN: Are your transactions affected by the exchange rate?

MR. MacMILLAN: Yes. The Canadian Government last spring pegged the pound to the live stock men at $4.60, which helped out some.

THE CHAIRMAN: And since then?

MR. MacMILLAN: Since then the pound has gone up and we did not require any assistance from the government in the pegging. The pound has been worth more than it was pegged at.

THE CHAIRMAN: Do you find the demand from the United Kingdom is steady?

MR. MacMILLAN: Yes, quite steady.

THE CHAIRMAN: Do you find that the great distance from Alberta to the United Kingdom and the transportation charges have been serious obstacles?

MR. MACMILLAN: Very serious; that is our great trouble.

THE CHAIRMAN: Are you able to surmount that difficulty?

MR. MACMILLAN: I do not know. There could be

a small reduction in freight rates and handling charges, which would help to a small extent.

MR. LEMAN: Do you ship via Vancouver or the Great Lakes

MR. MACMILLAN: Via Montreal. If we could ship cattle by the Great Lakes it would reduce our rail rates considerably. That is where our big shrinkage is, over the rail routes.

THE CHAIRMAN: The long haul.

MR. MACMILLAN: Yes.

THE CHAIRMAN: Does that depreciate the stock?

MR. MACMILLAN: Yes, it does.

MR. LEMAN: You ship no cattle via Vancouver?

MR. MACMILLAN: No.

HON. MR. BROWNLEE: Mr. MacMillan, I understand that you are one of our most successful ranchers here in Alberta.

MR. MACMILLAN: No, not very successful.

HON. MR. BROWNLEE: You are, let us say, a large ranch owner?

MR. MACMILLAN: Yes.

HON. MR. BROWNLEE: Would you mind saying, if it is not too much of a personal question, how many head you run on your ranch on the average in a year?

MR. MACMILLAN: From twelve hundred to fifteen hundred.

HON. MR. BROWNLEE: You have been in business down there for how long?

MR. MACMILLAN: Since 1902.

HON.MR. BROWNLEE: Your experience during the last four or five years has been the same as Mr. Layzell's, that is, the extent to which you get into the British market

is dependent on the relative value of British and Canadian money - the question of exchange.

MR. MACMILLAN: Yes.

HON. MR. BROWNLEE: There is no question in your mind that when the Canadian Government pegged the price of the British pound at $4.60, there was an immediate revival in live stock.

MR. MACMILLAN: It meant a difference of $6.00 or $7.00 a head with our cattle.

HON. MR. BROWNLEE: As compared to what your experience had been for the few months preceding that action on the part of the government?

MR. MACMILLAN: Yes.

HON. MR. BROWNLEE: And since that time the British Pound and the Canadian dollar have come closer to a parity?

MR. MACMILLAN: Yes.

HON. MR. BROWNLEE: And your business has improved without the necessity of that pegged price?

MR. MACMILLAN: Yes, it has improved.

HON. MR. BROWNLEE: So there is no doubt that the successful ranching business in this Province does depend very largely upon the position of our Canadian money at any time in relation to British money.

MR. MACMILLAN: Yes, it does.

MR. LEMAN: In 1920 and 1921, Mr. Macmillan, were your shipments more active to the British market?

MR. MACMILLAN: I sent a shipment over in 1921; that was the first shipment over which I sent to Liverpool, 360 head, and the markets were a great deal better in those days than they are to-day. I only sent over 360 odd head, and they netted me back $12.00 a head,

and my boat space was $50.00 then, where it is only $15.00 to-day.

HON. MR. BROWNLEE: Could you in a very practical way show the difference in live stock this year as compared with--

MR. MACMILLAN: The difference in value?

HON. MR. BROWNLEE: Yes. What would be the average net price of a fair-sized animal, say, four or five years ago?

MR. MACMILLAN: A good beef cow to-day is worth from $12.00 to $14.00, where ten years ago, or around 1926 or 1927, it was $50.00 or $60.00 or $70.00.

HON. MR. BROWNLEE: But against that shrinkage of value, your overhead has remained steady?

MR. MACMILLAN: Very much the same; labour is a little cheaper.

HON. MR.BROWNLEE: Your taxes are up?

MR. MacMILLAN: Yes, and leased money is about the same; taxes are up a little.

HON. MR. BROWNLEE: And the commodities you purchase as part of your going concern have not shown a similar decrease in price?

MR. MACMILLAN: No.

HON. MR. BROWNLEE: And I suppose it is needless to say that you could not hope tomake money as a rancher with prices at the present level.

MR. MacMILLAN: We could not hope to survive, unless there is a change.

SIR THOMAS WHITE: What would be the relative price in 1920 and 1921 - you remember there was a period of severe deflation and depression then -- do you

remember what the price of your cattle would be at that time?

MR. MACMILLAN: My cattle made me about thirteen and one-half pence in Liverpool.

SIR THOMAS WHITE: I mean here; you made certain comparisons, for instance, that a cow was worth so much; do you remember the relative prices?

MR. MACMILLAN: We were getting about eight and one -half or nine cents a pound in 1921.

SIR THOMAS WHITE: How did that compare with two years before, during the war?

MR. MACMILLAN: 1921 as compared with the time during the war?

SIR THOMAS WHITE: Yes.

MR. MACMILLAN: We were getting about 15 cents then.

SIR THOMAS WHITE: How much a pound do you get now?

MR. MACMILLAN: One dollar and fifty cents to three dollars and fifty cents per hundred.

SIR THOMAS WHITE: Just one other question; what is the customs duty - the American customs duty - against Canadian cattle?

MR. MACMILLAN: Three dollars a hundred.

SIR THOMAS WHITE: Is that very heavy - prohibitive

MR. MACMILLAN: Yes, prohibitive.

SIR THOMAS WHITE: Would you have a substantial market there, but for the customs tariff?

MR. MACMILLAN: Yes. It would be the making of the cattle industry if we could go across the line with our cattle.

HON. MR. BROWNLEE: You do not handle hogs?

MR. MACMILLAN: Yes, I have about seven hundred hogs.

HON. MR. BROWNLEE: I am not sure that this question is exactly pertinent to the scope of this inquiry, but I would like your reply from the standpoint of general information. Is it fairly general practice now for the dealers to buy at the ranch or farm instead of on the market?

MR. MACMILLAN: If I sell here, I generally always sell at the ranch.

HON.MR. BROWNLEE: Are you of the opinion that that tends to a better level of prices than if there was an auctionmarket re-established at the live stock yard?

MR. MACMILLAN: I always thought so; I never thought there was much competition.

HON.MR.BROWNLEE: You are quite satisfied with having the sales made at the ranch?

MR. MACMILLAN: I do not have to sell there. If I ship to those yards I cannot go elsewhere.

THE CHAIRMAN: Thank you very much.

MR. MACMILLAN: On behalf of the stockgrowers of this country I would like to ask this Commission to -- the banks should co-operatewith us a little more - with the stock raisers of this country.

THE CHAIRMAN: In what way have you in mind?

MR. MACMILLAN: In reducing our interest for the next year or two. If they would reduce this interest for a couple of years this cattle industry might survive. That would be of considerable help.

the CHAIRMAN: You find the pressure of the interest rate rather severe?

MR. MACMILLAN: It is under the conditions we are going through. The cattle industry is one of the basic industries of this Western country --

SIR THOMAS WHITE: No doubt about that.

MR. MACMILLAN: --and I think it is possible the cattle industry can still survive with a little consideration.

THE CHAIRMAN: Have you any idea of what it would mean to you?

MR. MACMILLAN: Well, a man borrowing $25,000 a year--two per cent. would be quite an item.

THE CHAIRMAN: Would you be borrowing for all that time?

MR. MACMILLAN: Yes, and sometimes more.

THE CHAIRMAN: Over the whole period?

MR. MACMILLAN: Yes -- well, probably until we made our turn-over.

SIR THOMAS WHITE: Every item of expense becomes important, Mr. MacMillan.

MR. MACMILLAN: Every item of expense, yes - quite important.

HON. MR. BROWNLEE: Do you know what the ranchers across the line are paying for their bank loans, as compared with the Canadian banks?

MR. MACMILLAN: No.

HON.MR. BROWNLEE: You have not investigated that?

MR. MACMILLAN: No. I think this cattle industry can still survive, with a little assistance.

HON. MR. BROWNLEE: You are pretty close to High River?

MR. MACMILLAN: About twenty miles.

HON. MR. BROWNLEE: So that from the standpoint of

checking up on your personal securities, there is no particular difficulty offered to the local managers?

MR. MACMILLAN: No.

HON MR. BROWNLEE: And as a large rancher would you be inclined to feel if your securities were ample that you should be entitled to obtain the same rate of interest as ordinary industry is able to obtain, when they produce the same securities?

MR. MACMILLAN: Yes, I think so.

THE CHAIRMAN: We will bear that in mind, Mr. MacMillan, and we are very much obliged to you.

I think we might take one further witness inthis room before we adjourn. Is Mr. George McLeod in the room? Apparently he has retired. Is Mr. Sine here?

MR. SINE: Yes.

THE CHAIRMAN: Will you please come forward? I understand you are in the lumber business?

MR. SINE: Yes, my lord.

THE CHAIRMAN: You have heard what the previous witnesses have told us; can you make a contribution along the same lines, from your own personal experience?

MR. SINE: Our experience has been that our banking service has been very satisfactory to us. We have absolutely no complaint to make.

THE CHAIRMAN: What rate of interest do you pay?

MR. SINE: Six per cent., when we borrow.

THE CHAIRMAN: Do you borrow extensively for the purpose of your business ?

MR. SINE: Not for the past three or four years.

THE CHAIRMAN: Is that since business has been hit?

MR. Yes.

THE CHAIRMAN: IN ordinary times when your business is more prosperous do you use your banking facilities quite freely?

MR. SINE: Yes, we do.

THE CHAIRMAN: On a seasonal basis?

MR. SINE: Yes.

THE CHAIRMAN: You finance the timber until you get it away?

MR . SINE: We are in the retail business; we do not manufacture our lumber; we buy our lumber and retail it.

MR. LEMAN: In British Columbia?

MR. SINE: Some, but I think mostly from Northern Alberta.

THE CHAIRMAN: To what markets do you consign your lumber?

MR. SINE: We have about ninety retail yards through Saskatchewan and Alberta.

HON. MR. BROWNLEE: What companies do you represent?

MR. SINE: The Revelstoke Saw Mills Company Limited, the Atlas Lumber Company, and the Alberta Lumber Company.

THE CHAIRMAN: Is your lumber nearly all consumed in the Province?

MR. SINE: Yes.

THE CHAIRMAN: For building purposes?

MR. SINE: Yes.

MR. LEMAN: And in Saskatchewan?

MR. SINE: Yes.

THE CHAIRMAN: On the Prairies?

MR. SINE: Yes.

THE CHAIRMAN: Has there been a marked diminution

in the demand for lumber for building purposes?

MR. SINE: There has been in the last four years.

THE CHAIRMAN: Due to the stoppage of housing development?

MR. SINE: Yes, and lack of crops.

THE CHAIRMAN: To the depression generally?

MR. SINE: Yes.

THE CHAIRMAN: Is not your industry a very good touch-stone for the industries of the Province?

MR. SINE: I would think so.

THE CHAIRMAN: I do not want to ask you a personal question about your business, but upon what order has been the drop in your business and turn-over?

MR. SINE: You mean from 1928 or 1929?

THE CHAIRMAN: Yes, from the time you mention- when you were doing a reasonable business.

MR. SINE: I think our largest turnover was in 1929. From then until now it is down forty per cent.

THE CHAIRMAN: You do not sell any of your lumber abroad?

MR. SINE: No, sir.

THE CHAIRMAN: Do you manufacture or process it in any way?

MR. SINE: No. Well, we have a finishing mill at points west of here; we buy the lumber and finish it and run it into sizes and classes.

THE CHAIRMAN: You do not make up windows and doors?

MR. SINE: Oh yes, we have a factory in Calgary.

THE CHAIRMAN: That is dependent, of course, directly upon the housing demand?

MR. SINE: Yes.

THE CHAIRMAN: How are you affected by the exchange

MR. SINE: We are not, not very much.

SIR THOMAS WHITE: Do you see any sign of improvement in the demand in your business?

MR. SINE: Not in our business. I think perhaps the manufacturing business on the coast has seen some improvement, and some of the mills around here may see some, but our sales are running about the same as they were last year.

HON. MR. BROWNLEE: Do I understand you to say there is a forty- per cent, difference?

MR. SINE: From 1929, yes.

MR. LEMAN: Have you put in any new lines since then?

MR. SINE: Yes, we have since that; we have added some hardware stores, which we operate in connection with our lumber yards at about 18 points.

MR. LEMAN: You filled up the gap with some other form of activity?

MR. SINE: Yes.

HON.MR. BROWNLEE: The British Columbia manufacturers submitted a statement to us in Vancouver that their business on the prairies had fallen from approximately four hundred odd thousand dollars in 1928 to eighty thousand dollars last year.

MR. SINE: I think that probably would be correct You mean since 1928 or 1929?

HON. MR. BROWNLEE: Yes.

MR. SINE: I think that they have decreased their consumption of Alberta lumber a great deal since 1928 and 1929.

HON. MR. BROWNLEE: You have been buying the

cheap lumber up north.

MR. SINE: During 1928 or 192 there was more or less house-building, where finished lumber was required.

HON. MR. BROWNLEE: Have you a retail lumbermen's association here?

MR. SINE: We have in Winnipeg, which represents the three provinces.

HON. MR. BROWNLEE: In giving your evidence to-day are you speaking for yourself or the association?

MR. SINE: Myself.

HON. MR. BROWNLEE: You would not, therefore, say that the other retail lumber merchants in the Province have had the same happy relationship which you have?

MR.SINE: No; I know nothing about their business.

HON. MR. BROWNLEE: Without asking the particulars of your turn-over, my recollection is that the three companies you represent have been fairly success ful in the Province.

MR. SINE: I think so.

HON. MR. BROWNLEE: And you, therefore, are one of the better customers of a bank?

MR. SINE: Well, we are in a happy position with the bank; we do not owe them anything.

MR. LEMAN: Would it be spruce lumber you are buying up north?

MR. SINE: Yes.

MR. LEMAN: White spruce?

MR. SINE: What they call the Engleman spruce, up around Edmonton, and west of Lacombe, on the line between here and Edmonton. We do not manufacture that lumber; we are simply distributing it.

MR. LEMAN: And the demand you create is reflected in your own activities?

MR. SINE: Yes, more or less.

HON. MR. BROWNLEE: Would it be possible for your Association to provide us with figures, such as we received in British Columbia, showing the actual sales of lumber, say, in 1928, as compared with the actual sales in 1932, in orderthat we might obtain a picture of the contribution toward unemployment which has resulted from the falling off of lumber sales, and therefore the falling off in manufacturing.

MR. SINE: I do not think I could give you that information, because they have no information of that kind. The only information they could give you would be the amounts outstanding in 1928, and this year.

HON. MR. BROWNLEE: You mean outstanding accounts?

MR. SINE: Yes, bills receivable.

HON. MR. BROWNLEE: That would show a much greater percentage of increase in 1932 than in 1928.

MR. SINE: I do not know; there has not been so much.

HON. MR. BROWNLEE: Have your accounts been coming in as well?

MR. SINE: There is not much change in Saskatchewan as far as our business is concerned. It is about at a standstill.

SIR THOMAS WHITE: Would the comparative statistics of building operations be available in that connection?

MR. SINE: I do not know. I think you gentlemen--

SIR THOMAS WHITE: You sell lumber for building?

MR. SINE: Yes.

SIR THOMAS WHITE: What I had in mind is that building construction is one of the great industries in Canada; in times of prosperity it rises very high, and in times of depression it falls very greatly; how far do you think you are dependent upon outside sources for lumber, that is, from sources outside of Alberta?

MR. SINE: I think we only require about 10 or 15 per cent. of British Columbia lumber; that is on account of the fir for finishing purposes and shingles and siding.

HON. MR. BROWNLEE: Having regard to your own requirements, which evidently are very considerable.

MR. SINE: Yes.

THE CHAIRMAN: We will adjourn now to re-assemble in the Ball-room of the Palisser Hotel at two o'clock.

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The Commission adjourned at 12.35 p.m.
to reconvene at 2 o'clock p.m.

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(Page 815 follows).

AFTERNOON SESSION

Pallisor Hotel, Calgary.

THE CHAIRMAN: We meet under more comfortable circumstances this afternoon.

We will receive this afternoon the United Farmers Delegation. Mr. Gardiner, I understand, is to be their spokesman.

MR. ROBERT GARDINER, M. P. (President, United Farmers of Alberta): May it please your lordship and gentlement of the Commission:

The United Farmers of Alberta welcome this opportunity to present their views upon the subject of banking and monetary and credit policy.

The subject is one in which our Association has been deeply interested for more than a decade, and in respect to which our membership have gone on record in successive Annual Conventions, both before and since the present depression began. As a result of study and discussion, the Association has reached certain definite conclusions, which will be set forth in this submission.

In the House of Commons, representatives of the United Farmers of Alberta were instrumental, as the result of the acceptance by the House of a resolution moved by one of their number, in bringing about in 1923 the first and only investigation which has been held hitherto by the Parliament of Canada, into the basis, function and control of financial credit. In succeeding years, officers and Parliamentary representatives of the Association, acting upon mandates given by our Conventions, have seized upon every suitable

occasion to press for the changes in the financial system of Canada which we consider to be vitally necessary. Ten years ago the voices of our representatives were as voices crying in the wilderness. To-day, many of the proposals which they have put forward find support in the writings c well-known British economists; and financial measures whic have recently been adopted in the United States bear point of resemblance to the programme which our Association has advocated.

The bearing of financial policy upon the world econon crisis is now universally recognized. As the crisis has increased in intensity, the discovery and application in practice of a sound financial policy has been seen to be imperative. We believe that Canada can make her most use- ful contribution to a solution of world problems by settin her own financial and economic system in order. We are g therefore, that banking and finance in Canada should have been made subjects of investigation by a Royal Commission.

As representatives of the United Farmers of Alberta, we naturally approach these subjects from the standpoint o the agriculturist. The farmers who settled Western Canada had but little chance of making a living until the prairie was broken and under cultivation. Most of these men had comparatively little capital, and the majority of them kne nothing about borrowing money. Credit facilities came wit the settlers. They were offered credit by lumber companie machine companies, banks, loan companies and other interes at rates of from 6% to 12%. As soon as the farmer had secured a recommendation for his patent, agents of the financial institutions canvassed him for a loan on his la

In short, he was educated to do his business on credit.

His greatest problem has been the great fluctuation in the price of his product. There was a crisis in his affairs in 1914, but the rising prices which came with the war saved the situation. Before the war was over the greater production campaign was inaugurated, sponsored by the Government, and aided and abetted by banks and loan companies. The farmers were urged to produce more as a patriotic duty, and as a consequence, very many of them went heavily in debt for both land and machinery, which debt in most cases was still outstanding when prices collapsed in 1920.

In 1918 and 1919 many banks advised the farmers to borrow money to engage in the production of cattle. Due to thedeflation in 1920 cattle prices absolutely collapsed. Many farmers were forced to sell their cattle and were left heavily in debt for this reason also.

The type of farm machinery was changing rapidly during these years, and considerable liability was incurred in purchasing new machinery.

Due to these various causes many of our farmers were still heavily in debt when the deflation of 1929 occurred. After the past three years of deflation, our farmers find themselves practically without credit facilities. Canadian business is largely predicted on our wheat crop. Canada is pre-eminently an agricultural country and wheat her greatest item of production. Yet the banks seem unable or unwilling in many cases to advance credit to enable the farmers to purchase even binder twine with which to tie the crop. As an evidence of this situation, we would point out that the Alberta Government has found it necessary to

guarantee bank loans for the purchase of binder twine durin the years 1931 and 1932. It is a further indication of the desperate financial condition of agriculture that the governments of the three prairie provinces have found it necessary to pass protective legislation to enable farmers to retain their homes and carry on their operations.

At one time, the farmer believed that if he produced quality products someone else would see that he got at leas cost of production, but when in 1932 he sold #1 Hard Wheat, the world's best, as low as 25¢ per bushel at the local elevator; #1 churning cream at 9¢ per lb. butter fat; eggs at 3¢ per dozen; bacon hogs at 2 and 3¢ per lb., and other products at corresponding prices, he was compelled to recognize that the financial system is the dominant factor governing his economic welfare, and was therefore forced to make an intensive study of monetary problems.

Due in large measure to financial deflation, the value of primary products have dropped to the lowest figures on record in the history of North American production; while by far the greater proportion of debt was contracted in the war and post war period of maximum prices--the highest in history. The deflation started in the major gold-holding countries but spread to all the gold countries, including Canada.

Recurring depressions, of which we are now experienci the most severe in modern times, are not due to acts of God but to acts of man. We do not know all the facts regarding the deflation which started the present period o depression, but we have considerable evidence regarding th deflation of 1920.

In January, 1933, John A. Simpson, President of the

National Farmers' Union of the United States, in his evide before a Senate sub-committee at Washington, made the foll ing statement:

> "The latter part of January, 1920, I called on John Skelton Williams, who was then Comptroller of the Currency. I asked him when deflation would begin. He told me the other members of the Federal Reserve Board had voted for it to begin in May of that year. He said that he told the other members of the Board that this would break lots of little country banks and that other members of the Board told him they ou to break, there were too many of them. He told them it would ruin lots of farmers and the other members c the Board replied that they ought to be ruined, they are getting so prosperous they won't work.
>
> Since that time 10,000 banks have closed their doors, thousands of small business institutions have taken bankruptcy and a milliom and a half farmers have seen their farms taken from them by foreclosures."

It seems quite evident that the deflation at that tim was deliberate on the part of those in control of credit i the United States. Canadian banking institutions were evidently parties to this deflation. They have made no constructive efforts to remedy present conditions. The bankers state there are ample credit facilities for all borrowers if the security is adequate. The farmers' secur is no longer adequate because of the collapse of prices. Yet so far as we know the Canadian bankers have never made any suggestions or taken any measures with a view to raisir

the price of farm products. As a rule they have opposed every proposal made for raising the commodity price level. This attitude is well indicated in a statement made by Mr. Jackson Dodds, General Manager of the Bank of Montreal, in an address to the Winnipeg Board of Trade, as reported in the Calgary Herald, April 1st, 1933:

> "Inflation is not a way out of depression, but a way in, and leads ultimately to chaos. To inflate deliberately would be to render nugatory the three years of necessary purging that business has had."

In contradistinction to this statement of Mr. Dodds, we would simply quote the following sentence from the speech of the Rt. Hon. Reginald McKenna, delivered at the general meeting of the Midland Bank, Limited, in London, January 27th, 1933, three months before Mr. Dodds' statement was made:

> "Controlled inflation, from being the remedy of fools or knaves, has become widely regarded as the best available solution of our troubles, particularly since it has become realized that a substantial rise in wholesale prices need have no more than slight effect upon the cost of living."

In our opinion, speaking for this organization, neither inflation nor deflation should be necessary in a properly controlled money system. We have urged controlled inflation or "reflation," which simply means such an expansion of currency and credit as may be required to restore the price level to the point at which it stood before the present great slump began. It is possible that some of our bankers may have overlooked the fact that the total bank loans in

Canada during the period from October 31st, 1929, to the same date in 1932, decreased by 578 millions of dollars. It would seem to us that it is impossible to have a decrease of so large an amount in the bank credit issued in Canada without bringing about a collapse in prices.

Recent events in the United States have now proved that price levels can be raised. In the six weeks prior to May 5th, 1933, according to Moody's price index, the commodity price level in the United States rose 24 points.

Before leaving the question of the financial condition of agriculture, may we point out that practically all our agricultural products are on an export price basis and that we are at a distinct exchange disadvantage as compared with our chief competitors; namely, Australia, New Zealand the Argentine and Denmark. Several of these countries have an exchange advantage of at least 25% over the Canadian producer, and in consequence wheat markets in the Orient have been largely lost by Canada to Australia. The disadvantage under which our exporters labor cannot, therefore, be lightly waved aside by the Canadian bankers, even though Mr. Jackson Dodds in the address above referred to, attempted to minimize its importance when he is reported to have said that, measured in terms of gold or of Canadian currency, the Australian Farmer received less per bushel than the Canadian farmer. It is not the amount of gold which our commodities bring in foreign markets which matters so materially to the Canadian farmer, but rather the amount he receives in Canadian currency, as his debts and the price of the goods which he requires are payable in our own currency.

While we are dealing with the question of our world competitors, we would point out that so far as we are aware our agriculturists are paying a higher rate of interest for their credit than most of our competitors. We believe it would be in the interest of Canada to see that credit is available to our agricultural producers at greatly reduc rates. It is a matter of common knowledge that the actual rates charged to-day range for the most part from 8 to 12 per cent, although Section 91 of the Bank Act provides as follows:

> "the bank may stipulate for, take, reserve or exact any rate of interest or discount not exceeding seven per cent per annum and may receive and take in advance any such rate, but no higher rate of interest shall be recoverable by the bank."

Unfortunately no penalty is provided for violation of this section of the Act. So far as we know, this is the only instance in which any law of Canada can be broken without making those who break it liable to pay a penalty for so doing. It is quite evident that the banks take full advantage of this failure of the act to provide for such a penalty.

We have referred to the general price situation. Whil there has been a heavy decline in all commodity prices since 1929, the decline has been most severe in the prices of primary products, and particularly in the prices of the major farm products raised in Western Canada. A chart prepared by the Searle Grain Company, compares the price levels over a period of years, commencing with 1914, of a number of agricultural products, with the price levels

of wholesale commodities, etc., and with the level of municipal and school taxes during the same period. It show incidentally, that the decline in the prices of the product the farmer has to sell has been much greater than the decline in the prices of the things which he must buy, and it is thus made quite clear that the farmer has suffered more severely than any other class of producers as a result of the depression. We are placing this chart on file with the Commission as an exhibit. It will be evident from a study of the chart that the raising of the prices of farm products relatively to those of other commodities is an imperative necessity, even apart from the necessity for an increase in the commodity price level as a whole.

While so far we have dealt wntirely with the agricultur situation, the condition of industry generally, and the unemployment existing throughout Canada, are certainly presumptive evidence of the need for very material changes in our financial system. Up until the present time there has been no definite attempt to control the issue of credit in Canada so as to maintain a correct relationship between the volume of credit and the needs of production and consumption and thus to maintain the comparative stability of prices. Evidence given by former presidents of the House of Commons in 1924 and 1928, shows that there has been little or no thought given to the effect that the granting or witholding of credit has on the price level. (See records of Banking and Commerce Committee - House of Commons 1924 and 1928.)

Previously we stated that the farmers' greatest disability was caused by an unstable price level. We believe

this to be almost wholly due to inherent faults in the present monetary system. They are faults inseparable from any system in which money and credit are regarded and treated as commodities to be bought and sold in the same manner as real wealth.

Money in our opinion should be:

1. A medium of exchange.
2. A measure of value.
3. A standard for deferred payments.

As it is now controlled and operated, the monetary system has failed in all three. It has also failed:

1. To maintain a stable price level.
2. To maintain adequate purchasing power.
3. As a means of international debt settlement, and
4. To produce a new volume of money to correspond to the normal increase in the volume of products, except through the medium of debt.

The sum total of money and credit in circulation should not be determined by the amount of gold that may be in possession of the nation, but by the amount of goods and services which we can produce and use, either for direct consumption, for development of capital assets, or for export in exchange for import goods.

To-day there is no intelligent or systematic regulation of the volume of purchasing power in relation to the goods and services which can be made available to our people. It is largely as a consequence of this lack of intelligent regulation that we are faced by the tragic paradox of our times--a lack of financial means to distribute to our people the goods and services which can be provided in super-

abundance.

Repayment of debt under present conditions is a financial impossibility. The operation of the existing financial system has created an unprecedented volume of debt, but the system is now evidently unable to produce a volume of purchasing power sufficient to liquidate either interest or principal, or even to make possible the payment by the farmer of accumulated interest and taxes of the past three years.

We suggest the time has come when we should establish in Canada a nationalized system of currency and credit unattached to any metallic base or to any specific commodity; that its objectives should be the effective control of currency and credit; stability of the price level; and regularity of production, consumption and employment; control of foreign exchange and generally the maintaining of proper relationship between consumer purchasing power and the goods and services available for use.

- Page 830 follows -

These objectives can be attained only through a nationally owned government bank. A bankers' central bank could not meet the situation we have described or perform efficiently the functions we have enumerated. The reasons are obvious. Our present private banking instutions are carried on primarily for the making of profits for their shareholder It is evident that the interest of these institutions are, therefore, not necessarily identical with those of the community from whom their profits must be made; and it is evident, further, that a central bank if it be a "bankers' bank" will tend to serve the interests of private profit making in the operation of the money system. On the other hand the creation of a nationally owned bank such as we propose would mean the retention by the community of a function which is rightfully theirs, and which they should never surrender; and it would transfer to the community power over the economic life of Canada which is to-day mainl in the hands of private financial institutions.

We propose that the nationally owned government bank should be an arm of the government; that it should have control of the issuance of credit and be operated in the service of the people on a cost basis, thereby eliminating the present enormous interest charges; the bank to be controlled by a Board of Governors, clothed with all the necessary powers to carry out its duties efficiently; the Board to be appointed by the Governor-in-Council from slates prepared by the various bodies representing the major economic activities of the country.

The first duty of the Board should be the raising of the average commodity price level to a point which would

make possible the liquidation of existing debts. After th point has been reached, it should be the duty of the Board to maintain a stable commodity price level and to realize all the objectives named in preceeding paragraphs.

The bank should act as fiscal agent for the Dominion Government and be prepared to act in a similar capacity for Provincial and Municipal Governments.

It should also act as an advisory board to the government with regard to all matters of taxation. We believe the importance of this should not be overlooked as taxation should be an instrument of money policy as well as a means of raising revenue.

As one of the first steps to economic recovery we suggest that the Dominion Government should immediately embark on a substantial programme of useful public works, financed by direct use of the national credit to provide employment and place purchasing power in the hands of consumers.

In making the recommendations contained in the foregoing paragraph we have been influenced by a desire to place in the hands of the Royal Commission, at an early stage in its proceedings, a general outline of the views of our association upon the subject of monetary and credit policy. During the past ten days we have learned through the Press that the Commission plans to cover a wider field in the course of its investigations than we had at first anticipated. Notice of the sittings in Western Canada has been short; and the members of our Committee were brought together a few days ago from various parts of the province to draw up this somewhat hastily prepared document. For

these reasons, we would ask you to regard this memorandum a preliminary statement, which we may find it desirable to supplement by a further submission at a later date.

In conclusion, we wish to make it clear that we do no regard the proposals outlined in this memorandum as adequa in themselves to provide a complete solution of our nation economic problem. That solution can be made possible only the outcome of economic planning carried out on an extensi scale, with a view to ensuring the equitable distribution of the products of industry to the masses of our people. Until the process by which the wealth of Canada is becomin concentrated from year to year in increasing measure in th hands of a few has been reversed, and an approach has been made to equality in the distribution of the national incom stability in our economic and social institutions cannot b established.

We have been unable to obtain from any department of the Government of Canada precise statistics bearing upon the concentration of wealth, though there are many evidenc of the general tendency of wealth to accumulate in fewer a fewer hands. The Government of the United States, a count whose economic life parallels our own, has provided statistical proof of such concentration of wealth. A recent report of the Comptroller of the United States Currency, quoted by the newspaper "Labor" in its issue of August 1st, 1933, shows that there are 30,556, 105 deposit accounts in the more than 5,000 banks which are members of the Federal Reserve system. These deposits total $23,542,307,000, a sum which would be sufficient, it is stated, to pay off the national debt and leave a handsome

balance. Of this sum, 45 per cent stands in the name of less than 1% of the depositors. The accounts of the depositors who constitute this 1%, average $224,000. Only 3.5 per cent of the depositors have accounts totalling $2,500 and over, but they represent 76.3 per cent of the total. Theremaining 96.5 per cent of the depositors have only 23.7 of the deposits, and their average is only $189. We have, as stated, the best of reasons for believing that a similar condition to that described in the report of the Comptroller of the United States Currency, is rapidly developing in Canada.

We do not believe that the creation of a nationally owned government bank will in itself suffice to put an end to existing inequalities. We are satisfied, however, that the creation of such a nationally-owned financial institution as we have proposed will be the essential first step toward that end - the essential first step in the development of a planned economy designed to meet the needs not of any small section of the community, but of the people of Canada as a whole. For until the power of dictatorship over our economic life now possessed by a small group of privately owned financial institutions has been ended, the development of a planned economy, based upon the realities of an age of abundance, must prove impossible.

(Page 835 follows)

THE CHAIRMAN: You are sending in a memorandum later?

MR. GARDINER: Yes, sir.

THE CHAIRMAN: May we hope to have it within a fortnight?

MR. GARDINER: We will send it in just as soon as possible.

THE CHAIRMAN: We should like to have it before us in the considerationof our report.

Is Mr. Norman Priestley present?

MR. PRIESTLY: Yes, my lord.

THE CHAIRMAN: We shall be glad to hear from you.

MR. PRIESTLEY: May I say just by way of supplement to Mr. Gardiner's memorandum that we regret that the Commission visited the West at this time particularly because our working farmers are in the midst of harvest and we have not been able to secure very many of them to give factual evidence that would be of value to your Commission. We have, however, secured three who are here this afternoon and who will present you facts in connection with their business and the banks.

May I say that within the course of the past three years we have had a great deal of correspondence in our office and have had a great many contacts with hundreds, perhaps thousands of farmers throughout the province, which go to show that there has been a very great restriction of credit and that the banking institutions which formerly were active fartners in the work of agriculture in this province have found the partnership not profitable and have retired. That is putting it rather figuratively and

perhaps I should have put it in another way.

The only other observation I have to make is in connection with a matter of immediate concern, that of the financing of binder twine. As will be realized the binder twine is used in one of the last operations on the farm prior to the farmer realizing upon his year's work. For the past three seasons now our farmers have found it difficult to secure even credit for the purpose of binder twine. For two years the Alberta government has guaranteed advances made by the banks to the farmers with respect to this commodity. The present season is a season full of difficulty in that respect. It does seem to us that the banks are the people who are charged with the responsibility of seeing to it that one of the last operations of the farm may have the necessary credit supplied to enable it to be carried on. I have just those few observations, Mr. Chairman.

HON. MR. BROWNLEE: You are the secretary of the United Farmers?

MR. PRIESTLEY: The vice-president.

HON. MR. BROWNLEE: Your organization covers the whole province?

MR. PRIESTLEY: Yes.

HON. MR. BROWNLEE: So that in the representations which you have made you are speaking forapproximately how many farmers?

MR. PRIESTLEY: Our membership has varied from 8,000 to 37,000 and now stands between twelve and thirteen thousand.

HON. MR. BROWNLEE: Well distributed over the province?

MR. PRIESTLEY: Well distributed all over the province.

HON. MR. BROWNLEE: Your office I presume becomes a sort of clearing house for the exchange of agricultural information in this province?

MR. PRIESTLEY: Quite so.

HON. MR. BROWNLEE: When you speak of the difficulty of buying binder twine at this time have you reference to any one particular part of the province or do you find that same condition prevailing generally throughout the province?

MR. PRIESTLEY: That condition prevails generally throughout the province. The binder twine situation has developed somewhat differently from the past two year but everywhere I went, and of course one can never reach every place, but as one travels around one meets quite a lot of people and they nearly all say, "How are we going to get binder twine this year? We wonder if the Alberta government is going to be able to give a guarantee," and so on.

HON. MR. BROWNLEE: The point I wished to bring out was this, that crop conditions are not uniform in this province this year.

MR. PRIESTLEY: By no means.

HON. MR. BROWNLEE: There are some parts of the province where the crop is very bad and other portions where the crop is very good.

MR. PRIESTLEY: Yes.

HON. MR. BROWNLEE: Would you say that we have practically passed the danger point so far as damage from drought or other damage to the crop is concerned?

MR. PRIESTLEY: I have returned from a trip of 850 miles on which I spoke at nine meetings and had many opportunities for meeting people in different parts of the province, and from my own observations and from what I heard there is every assurance that a substantial crop will be reaped in the parts not subject to drought.

HON. MR. BROWNLEE: And although from the information you have in your office from practically all over the province where there is evidence that a good crop will be harvested it is nevertheless very dffficult for the farmers to get advances for binder twine?

MR. PRIESTLEY: Very difficult.

HON. MR. BROWNLEE: With respect tothe rates of interest would you give the Commission any information you may have as to the variation in the rate of interest charged to the agriculturists this year?

MR. PRIESTLEY: It is just a little difficult for this year, Mr. Commissioner.

HON. MR. BROWNLEE: What do you find is the minimum?

MR. PRIESTLEY: I do not think any man is getting an advance at less than eight per cent.

HON. MR. BROWNLEE: It is not generally known throughout the province that the banks have recently inauguarated a policy of charging seven per cent interest?

MR. PRIESTLEY: That is not generally known.

HON. MR. BROWNLEE: But until recently eight per

cent was the prevailing rate and it has varied from that upwards?

MR. PRIESTLEY: It has varied upwards. In our desire to present concrete facts we have made a careful investigation into statements and allegations of various kinds. The statement was that in the past interest has accumulated until it amounted to a rate of 17 per cent. A committee of one of our locals made an investigation some years ago into the matter, and although we are not in a position to corroborate up to this time we have a number of statements to the effect that nine and ten per cent and more than that are being charged in some cases.

HON. MR. BROWNLEE: Dealing with the questionof interest, there is one other piece of information that I would like to obtain while you are speaking with knowledge of the rural parts of this province. It is well known that the farmers of Canada, outside of the dairy farmers, receive their revenues at certain stated periods of the year. Is it within your knowledge or not whether the practice of the banks is to take short term notes from farmers renewable from month to month with interest because of the inability of the farmer to raise the money when the note becomes due, he having no other source of income and receiving his income only at a particular period of the year?

MR. PRIESTLEY: Yes it is, and we have witnesses here this afternoon who will give testimony to that effect. Cases have come under our observation where a man has been closed out within the sixty days if the note was not

renewed and where it has been renewed the rate has been 8 per cent and the interest has been compounded at the end of thirty or sixty days.

COMMISSIONER LEMAN: In the sections over which you have travelled and where you have found that credit for the purchase of binder twine has been refused, do you mean that all the farmers in that section are going to suffer?

MR. PRIESTLEY: It is not possible of course for me to answer that question accurately. All I can say is that the farmers have to pay that rate of interest and that there is no credit for binder twine in my district, in addition we have specific statements from men of good standing who owe the banks nothing, good farmers who have been carrying on splendidly, to the effect that they could get no credit for their harvesting operations.

COMMISSIONER LEMAN: Neither from the banks nor from the local merchants?

MR. PRIESTLEY: I would not say they could not get it from the local merchants because it is generally recognized that many of them do what they can on their own.

COMMISSIONER LEMAN: Was it not the case in the past that binder twine was purchased in carload lots by local merchants and then through them distributed to the farmers?

MR. PRIESTLEY: That still is done, and in addition you have the Co-operatives and elevator companies. They would buy binder twine in fifty pound bails and carload lots.

COMMISSIONER LEMAN: Would the farmers not be able to obtain it from those sources now or are they denied that opportunity?

MR. PRIESTLEY: The binder twine companies in order to protect themselves from conditions which the exchange situation has brought about have come to the point where there are very few people who are able to buy carload lots for cash and very few merchants in this province buy it in such quantities anylonger. It is put in on consignment and the resplnsibility is not upon the twine companies but upon the man who gets the car of binder twine on consignment to see that the cash is taken. There is no credit.

COMMISSIONER LEMAN: Credit is now refused for binder twine; is that the point?

MR. PRIESTLEY: In better times the merchants bought their cars of binder twine outright and took their own risk in the distribution of the twine.

THE CHAIRMAN: You see that the government of Alberta ultimately gave a guarantee in connection with the purchase of binder twine?

MR. PRIESTLEY: In 1931 and 1932, yes.

THE CHAIRMAN: Without that guarantee of the government do you find that the banks would not make the necessary advances?

MR. PRIESTLEY: The banks have lost several hundred thousand dollars in each of the last two years.

THE CHAIRMAN: For the specific purpose of enabling binder twine tobe purchased?

MR. PRIESTLEY: Yes.

THE CHAIRMAN: Can you tell me to what extent loans

so made were repaid?

MR. PRIESTLEY: They were paid with remarkable rapidity showing conclusively that the risk was not so great. They were really good customers who ought to have had bank credit. The loans unpaid in the first year amounted to $55,000 and in the second year to $200,000.

HON. MR. BROWNLEE: Hardly that much, $25,000.

THE CHAIRMAN: That seems to me a very interesting test because if the advances had been made without the government guarantee to those who were able to pay when the notes fell due there would have been no loss at all if the banks had exercised discrimination. It seems to me that one ground of complaint was that there was not reasonable discrimination made by the banks among their customers. You would not have a bank advancing money to those who had not paid and who obviously must have been undesirable customers.

MR. PRIESTLEY: The government was requested to guarantee the advances made to customers.

THE CHAIRMAN: Whether good or bad?

MR. PRIESTLEY: Yes.

THE CHAIRMAN: It indicated rather a lack of judgment on the part of the banks in discriminating among their customers. Is not that the case?

MR. PRIESTLEY: I would think so.

THE CHAIRMAN: What rate was paid with the government guarantee behind it? It would not be less than seven or eight per cent because I understand it is never less than seven or eight per cent for agriculturists. It would be about seven per cent I should think.

MR. PRIESTLEY: I would not care to hazard a guess.

THE CHAIRMAN: At any rate it would be a remunerative rate?

MR. PRIESTLEY: I do not think they advanced the money to farmers for less than eight per cent.

THE CHAIRMAN: It would look as if the banks were not in that case alive to their ownbusiness because a very large volume of that business was good business which they would not take unless there was a government guarante behind it, and your view is that they should do it without the government guarantee.

SIR THOMAS WHITE: Is there any effective method under existing legislation of taking a lien upon grain produced?

MR. PRIESTLEY: Yes, wehave legislation in the province of Alberta which provides for loans on binder twine and places the debt in regard to that legislation next in priority to taxes.

SIR THOMAS WHITE: You think it is an effectual method of collecting the amount advanced for seed grain out of the proceeds of the crop?

MR. PRIESTLEY: I think it is of real value to the agricultural community.

SIR THOMAS WHITE: Itmay not work in every case but on the whole you think it is valuable?

MR. PRIESTLEY: Yes. With respect to binder twine that comes in on consignment.

SIR THOMAS WHITE: I know you were speaking of binder twine but I mentioned seed grain because they are

both essential in the harvesting of the crop.

THE CHAIRMAN: The next name is that of Mr. F. G. Brown. Is he present?

MR. F. G. BROWN: Yes.

THE CHAIRMAN: Perhaps you might take up some of the points that those who have preceded you have not touched upon or have you any points of your own you wish to discuss?

MR. BROWN: I am a farmer farming fifteen miles northeast of here. I have been farming in Alberta for seventeen years and doing business with our local branch, but I have not done much business with the local branch since 1930. I have never had much quarrel with our bank. There are two points I would like to mention. I will tell you how we do business out there or how I do business with the bank manager. In the fall of the year I went in and settled up my accounts; I paid them in full, and then the bank manager would sit down and take a statement of how many acres I had summer fallowed for the coming year, the machinery on hand, the new machinery bought, the amoun of live stock and so on, and then I would apply for a line of credit and the application would come back in due time and I was all set for another year. Then along in November or December I bought a couple of carloads of steers to put into a feed lot. I would simply write a cheque again my account, and I have here a number of cancelled promissory notes which you can look over. I would write a cheque at the stockyards where I bought my cattle, and the I would go to the bank and sign a note for the face of the cheque, and the note would invariably be drawn for sixty

or ninety days. The bank manager when I signed the note and bought the cattle knew what the conditions were, that I probably would not sell the cattle before the sixt or ninety days because you cannot put a load of cattle in the feed lot this week and sell them the next. At the end of ninety days the bank manager would ask, "How about the note which is due?" I would reply, "I have the money," and he would say, "That is all right, we will renew," and that process went on until the note was finally paid off, with the result that I did not pay interest at eight per cent but considerably more.

The only other scrap I had with them was in 1930, when the hard times came on. I had a complete crop failure in 1929. From 1915 to 1929 I never gave the bank any security at all on my note, but in 1930 the manager called me in and said, "It looks as if you are slipping. We will have to have security. That is only a reasonable request in times like this." But I considered that his request for security was very unreasonable.

THE CHAIRMAN: When was this?

MR. BROWN: Late in the fall of 1930. I could never understand why the bank would hesitate. That note of mine had one hundred cents on the dollar behind it and I had land and live stock to back up the note and I could never understand why they told me it was worth only thirty cents on the dollar. That is one of the main reasons I balked. Apart from that my relationship with the bank has been all right and cordial, but it cost me a lot of money but for that I did get a service, and we let it go at that.

THE CHAIRMAN: I see most of these are eight per

cent notes, eight per cent on the face of them, but they are cumulative notes, I understand.

MR. BROWN: Some of them have been renewed four or five times.

THE CHAIRMAN: With interest too.

MR. BROWN: Each time the new note was made I paid interest on the accumulated interest. I lived in the United States for a great many years and it takes some time to conduct your farming operations, to breed stock, and so forth, and down there the bank leaves you alone for three hundred and sixty-five days, may be longer, they do not call for payment in sixty or ninety days, or at all events they did not some time ago. I do not know what they do now.

THE CHAIRMAN: Longer credit would be reasonable having regard to the conditions of the industry. Is that your point?

MR. BROWN: Yes. We cannot carry onunder these conditions. I am worse off than I was in 1928. I thought I was fairly well to do then and now I am busted and through no fault of mine.

THE CHAIRMAN: Because of the price of your products?

MR. BROWN: There were a lot of factors and we have not much control over many of the factors. I think I am safe in saying that the great majority of our farmers are not very well satisfied with our banking system in Canada, particularly from that standpoint. We have no long term system of credit available to the farmer who requires a much longer term than the business man who is constantly renewing his stock. But in farming, breeding

stock for instance, it takes some time even to get a return.

THE CHAIRMAN: You also complain, I understand, of the rate.

MR. BROWN: Well, it is the going rate and you can take it or leave it.

THE CHAIRMAN: Is no difference ever made according to the class of security you are able to offer?

MR. BROWN: I have never known any man in our district get anything less than eight per cent. That has been a constant rate in our district. One might have thought that it would have gone up in the war a little bit, but the rate was plenty high enough to take care of that eventuality and they let it go at that.

SIR THOMAS WHITE: The rate did not change in the war because I served notice at the outbreak of the war that it must not be increased.

MR. BROWN: But it never was decreased after the war was over.

SIR THOMAS WHITE: I do not know anything about that, but I took the stand that the rate should not be increased as one might expect it would have in a period of very tight money.

HON. MR. BROWNLEE: How large was your farm?

MR. BROWN: Twelve hundred acres of land and I market five or six hundred head of hogs a year. It is sixty miles northeast of here on the Drumheller line, in the Acme district.

HON. MR. BROWNLEE: And prior to 1930 you settled with your bank every year ?

MR. BROWN: I never missed one year except when I was hailed out.

HON. MR. BROWNLEE: So your record was pretty good.

MR. BROWN: I never gave them security beyond the note.

HON. MR. BROWNLEE: Any advances you secured before 1930 you obtained on the security of your note?

MR. BROWN: Oh yes, I never had the slightest trouble.

HON. MR. BROWNLEE: What happened to farm products in 1930? On the 1st of January, 1930, wheat was selling between fifty and sixty cents.

MR. BROWN: Prices have changed. Last year I threshed the best crop I ever had, No. 1. Wheat was selling at forty cents and I loaded it on the box car for 31 5/8 cents net.

HON. MR. BROWNLEE: Leaving aside your experience since 1930 you have been able to clean up your account with the bank every year without any difficulty and nevertheless you paid a flat rate of eight per cent.

MR. BROWNLEE: Oh yes. Those notes I have handed in show it.

SIR THOMAS WHITE: What would be a reasonable period for liquidating loans say in the case of a grain farmer? The manufacturer engaged in some manufacturing operation gets a credit on which he can depend, and in process of time the product of his manufacture is sold and he pays off the loan. What would be a reasonable period for the maturity of notes in connection with say

grain farming operations? Never mind the cattle for the moment.

MR. BROWN: That is hard to answer because we face so many hazards.

SIR THOMAS WHITE: I want the benefit of your opinion. This is really the point: Within what period of time would you naturally expect a loan to liquidate out of the proceeds of the crop?

MR. BROWN: In ordinary years we meet a normal loan each year unless we have rain, hail, frost or something else to damage the crop. From 1915 to 1929 there was only one year in which I failed to clean up completely. I have no credit with the bank at all at this time. I have not paid them all off. I could not borrow anything from the bank at all now, and I would not ask them.

SIR CHARLES ADDIS: I see that one of your notes is at six per cent.

MR. BROWN: That must have been the personal note of a neighbour. Yes, I see it is (examining the note).

SIR CHARLES ADDIS: You saytthat these notes are given in renewal and compound interest is charged. There is no mark of renewal on them.

MR. BROWN: Not on that last note If you had some of the others I had before you would see they were covered with rates.

SIR THOMAS WHITE: If the note was for six months or nine months or a year your interest charges would not be so very great. I was asking what would be a reasonable length of maturity for the note.

MR. BROWN: I feel that the banks have been a little

hard. They have not taken into consideration the hardships we have experienced. They want to cash in one hundred cents on the dollar every time they can get hold of it. We have to live. We do not know what we are going to get for our wheat this year. It is not threshed. Everything is so uncertain with us.

THE CHAIRMAN: Thank you very much, Mr. Brown, for your explanation of your method of financing. We are very glad to have an example of it. I see the next name that we have is Mr. Pilling. Is Mr. Pilling here?

MR. PILLING: Yes sir.

THE CHAIRMAN: Have you anything to say, Mr. Pilling, tl supplement what has been said by the gentleman who has just addressed us?

MR. PILLING: I have lived in Alberta for forty years. I believe that the Commission will find there three groups of borrowers in Alberta, the favoured group, the deserving group, and the group that is not deserving. In coming before you I hope that you will assist me to bring out some of the things that I wish to have brought out.

I think that you will find that Alberta is one of the most wonderfully productive countries in the world from an agricultural standpoint. We have plenty of evidence to show that this is a wonderful country and I think you will find evidence to show that our farmers are the most progressive in the world. Therefore there must be a reason why conditions are as they exist to-day. Personally I attribute the cause principally to our banking system. In making that statement I realize that I throw

myself open to any personal question you may wish to ask and I desire to have some of these problems put before you this afternoon. I believe I could answer any question as to borrowers in any of these three groups I have mentioned as I can say that I have perhaps led the procession in each of those groups, in the favoured group, in the deserving group and in the undeserving group.

THE CHAIRMAN: Having had experience of those three classes can you tell me whether the banks treated the three classes all the same in making advances? Do they charge them all eight per cent?

MR. PILLING: I would not say that. They have charged some from six to twelve per cent. I have paid from six to twelve per cent.

THE CHAIRMAN: According to your credit for the time being?

MR. PILLING: Yes.

THE CHAIRMAN: Did your credit vary as much as that?

MR. PILLING: In the bank's opinion, yes.

THE CHAIRMAN: Apparently in your own opinion also because you have said you have been in all three categories. May I ask you, had these different rates that were charged you any relation to the security which you were able to offer at the time?

MR. PILLING: No, I believe I paid the higher rates when I was the best risk.

I have a point or two to bring out which I think has not been touched upon in this investigation. There is a lack of confidence between the farmers and bankers in Alberta, and that lack of confidence is very serious

indeed.

I might state why that lack of confidence exists. In the first place as farmers we have gone in and borrowed money from the banks knowing full well that we would not meet the note at maturity. We have made a three months note, for instance, knowing that it was impossible to pay that note at maturity. We felt that the banker would of course renew the note as a matter of course, and naturally when we made our application say in September and it was forwarded to Montreal or Toronto, or to the east at all events, our loan would be accepted on the recommendation of the local banker and upon the assets we were able to put up as security and we were naturally led to believe that the note would be renwed. Then that note became due. I am speaking of an experience of my own. In the meantime my application for a loan had been accepted by the local banker who had carefully investigated my holdings. He liked my personality and believed that I was on the square and secured this loan for me. Then without any notice whatever this banker was transferred to another branch and a new banker took chagge of that bank. I wake wal the bank and I was very much surprised to have to introduce myself a secon to the new manager. He immediately pulls out my statement and looks it over and says, "Well, Mr. Pilling, you have renewed this note several times and it ought to be paid." Of course I tried to tell him of the understanding I had with the former manager, and he immediately took a dislike to me for some reason or other and demanded payment of the note. I then become what you might call a deservin

borrower. One of the fgroup of favoured borrowers meets the manager and they talk things over and say, "Well, Pilling is a bad risk," and this favoured borrower is immediatoly advanced the money to take over my cattle or sheep or whatever I might have to sell to pay that note. I say that I have gone through all this. I have helped to buy the deserving man's stock and I have had the favoured man buy mine. So I know that I am speaking for about seventy-five per cent of the people who borrow money in Alberta.

THE CHAIRMAN: The basis of that agreement seems to be that notes are taken for a period which is too short for the turnover.

MR. PILLING: That is the point I wish to bring out. When I went into the bank a second time, when I lost my cattle and stock on account of not being able to meet that note, then in the judgment of the new manager I immediately became an enemy of the bank. I toldhim that the former manager promised me this line of credit and that he, the new manager, now refuses it. The banker looks at the paper and says, "Pilling is a crook because he is not living up to his obligations." Naturally there is a feeling between the banker and the farmers under those circumstances. I hope that I have made it clear that there is a lack of confidence between the farmers of Alberta and the bankers which has been caused through no real fault either of the farmers or of the bankers. It is the system of banking, the short note that is drawn. and the farmer disregarding his obligation to pay that note. During the course of forty years I have been more

or less active and I have seen great changes in the attitude of the borrowers throughout the whole land. I know that in my earlier years I figured on paying every note on the due date. Then I became careless and came to regard it just as a matter of course that the note would be renewed, and I think you will find that that applies to at least seventy-five per cent of the farmers of Alberta. That condition exists and this new manager who came into the bank immediately advised the round table at Montreal of the circumstances, and when I use the term round table I am speaking of my own personal knowledge because there is no competition whatever in loaning money in Alberta for the applications for a loan go to a group of financiers sitting around the table in Montreal, and they have never understood the west just as the west has never understood the east. Naturally the round table passes upon our loans and determines how much money they will loan in Alberta. Accordingly I say there is a lack of confidence between the bankers and the farmers and it would be very hard to overcome that. I hope you will understand that I am not blaming anyone.

THE CHAIRMAN: You have made your point very clear.

MR. PILLING: It is an important point in our banking structure and in the success of agriculture in this country.

Then there is the question of exchange. When I issue a cheque on Lethbridge there is a charge of one-eighth of one per cent. If I issue a cheque on a bank only a few miles away I have to pay exchange on that

cheque. It seems like a poker game. If you were in Lethbridge and I were here and we sent the cheques out fast enough the bank would get the whole amount in exchange charges in a very short time. I just wanted you to know what my personal experience with the banks has been. About two years ago I had considerable money in one of the local banks, and as time went on I used that up and we decided that we needed a line of credit of $2,000. We lodged with the bank manager an agreement of sale on one of the most highly cultivated farms in the Staveley district calling for $23,000 to be paid from the proceeds of the crop until the loan was paid off. We had the title clear and this farmer owed us $23,000, and was to pay us off the crop until the loan was paid for. I lodged that with the bank for an advance of $2,000. I chequed out about $1,000 when I was notified that head office did not care to finance me any more on that line and they immediately called for $1,100. I put up another piece of land with a clear title thinking I could surely get a little credit, and the bank absolutely refused to loan me $1,100 or even to carry the former loan with that security. The bank records will show that what I am saying is correct. I believe that there are thousands and tens of thousands of dollar throughout Alberta who can give equally good security but he cannot borrow from the bank. I went to the bank and told them that I had to have a few hundred dollars to pay my rent. They have seized my furniture. I had about $4,000 of furniture and at least $40,000 of clear title lands as security besides a great many other interests which I have

in this country, but the bank refused toloan me a dime and I had to borrow the money from a private individual. That is a state of affairs in connection with our banks and the public has absolutely lost confidence in the banks and the banks have absolutely lost confidence in the publi

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I wish to bring that out before you and I think you will find that is the great trouble with Alberta today, the lack of confidence. We have the best land in the world, and the best farmers in the world, and we should be the most prosperous.

COMMISSIONER LEMAN: Is your criticism to the effect that the banks should be allowed to loan money on less security?

MR.PILLING: Yes, very much so.

COMMISSIONER LEMAN: Because you know --

MR. PILLING: Yes, I know; that is why I brought that up. The banks claim they are not allowed to loan money on that sort of security.

HON. MR. BROWNLEE: That is in the case of renewals?

MR. PILLING: Yes, in the case of renewals.

THE CHAIRMAN: Thank you very much. I see that Colonel Robinson is the next speaker who wishes to address us. Is he present.

MR. ROBINSON: Yes, my lord.

THE CHAIRMAN: Will you kindly come forward?

MR. ROBINSON: I would just like to say that I was on the binder last night, and I travelled all night and did not get very much sleep, so please try and bear with me if I get a little excited.

I came to Western Canada forty years ago, and have been connected with farming ever since, except for a short time during the war. I make my living by farming, and, as I say, was on the binder as late as last night.

A great many of the farmers today are dissatisfied with banking and banks, as they are carrying on in Canada.

I am a rank-and-file member of the U. F. A. - that is, The United Farmers of Alberta - I am no official, only one of the rank and file. I would like to take yo back forty years, and mention a few things which were happening to the farmers in the early days.

Money was difficult to borrow. Very few of us tried to borrow any money. We raised nearly everything we ate - we are all mixed farmers - and we did without a great many things, and the standard of living was very low I have lived in this country long enough to see a new era come into vogue, and while there have been complaints about the extravagances of the farmers, and the things the farmers have done, I will try and show you the other side of the picture, and tell you what Big Business and the Banks have done.

Apparently the man who loans you money is equally to blame, with the man who borrows it. If the banks loan an individual a sum of money, and he falls down, the bank should take equal blame.

In the early days we paid cash for everything we had. What we did not have the cash to pay for we did without, and today we have a Banking organization and a Manufacturers organization in Canada which are very closely linked together. The supposition comes to many farmers that there is not much difference between the Banks and Big Business, because if you take the prospectus of any of the banks, and you will find out the directors are the men who control the banking policies, and they are chosen from the big manufacturers and big concerns throughout Canada, so there is that linking up of the two. Apparently Big Business wanted to sell us farmers more implements, etc

but we farmers did not have the money, and so the next thing was to give us credit for the goods they manufactured, and you come to the era of the banks branching out and giving us credit. It was a common thing in those days for a farmer to go into the bank and ask for a loan of four or five hundred dollars, and to have the bank manager say, "Why, Robinson, you have a good range there, good stock, and will have a good crop; why not make it a thousand dollars instead of five hundred". But when things began to deflate, there was a different story to tell. The difference was that one man would go into a bank in a village, to loan money, but when it came time to collect, it was a totally different type of man who was there to collect it.

I have no quarrel with the banks, but I feel very bitterly about injustice, and I feel that credit, which is the life-blood of the nation, should be like the Police service and the Health service, and the other public services of a community. What would you think of the suggestion to turn the Police Forces, or other public services into the control of a group of men, who would operate it for their private gain? You would think the suggestion was ridiculous - and it would be; but you are giving a certain few, far more control, by giving them the control of the credit of the country.

For a period of years I have never had any trouble with my bank. I borrowed as little as I could, and in 1929 I paid them all I owed them. But I do want to mention one instance, which may not be a general thing, but which happened to me, and may have happened to some others. I owed my bank a certain sum in 1929, and was renewing my

my notes every month and paying, and I sent my wife down with a note. I was busy summer fallowing, with six horses, and the note was not quite due, and I sent my wife down to renew the note, and told her to bring it back and I would sign it and return it. She went down and came back and told me that the bank wanted to see me. Well, I turned my horses loose, and went up to the house and took a bath - it took a whole afternoon to get ready - and I went down to the bank, and when I got there, there was my banker sitting in a chair with his feet on the desk. I said, "What is the trouble?". He said, "When will you pay off this note?". Now, this was in July, or around the end of June, and we do not generally harvest before the end of August, I had a good crop coming on, and I said, "What do you mean?", and he said, "When will you pay off this note?". I said, "You know I am not getting any funds from any other source except my crop, and I cannot pay the note before I get the harvest in; what is the idea of taking me from my work?"; "Orders from Head Office". I said, "I cannot understand you people; Why do you loan money? Is it to get the interest, or embarrass people? I am paying you interest once a month; is that not good business ; I have sufficient collateral". "Orders from Head Office". I said, "All right, I will get you the money", and I got him the money, and in ten days he was surprised to see me walk in with the cash. He did not want the cash; what he did want, I don't know, but he did not want my interest.

I have never known of anybody to borrow any money from any bank in this country at less than eight percent,,

which means, according to their methods, exactly nine percent, because they loan only on three months terms, and it has to be renewed and compounded every three months, an I think it would be well to draw the attention of the Gove ment, by this Commission, to the Bank Act, which says that seven percent. is the legal interest, and yet, by a matter of book-keeping, etc., they charge anywhere up to nine per cent. If anybody in this great country of ours should obey the laws, it is the people of the Government, and it i apparent that they are not obeying the law.

I would like to say, without any an mosity, that a great many of us are called "Re ". Well, a "Red" is one, apparently, who does some thinking, and we are men who have acted in accordance with the best British traditions, and have not sat down and whined. We have tried to think a way out of these difficulties, and we have been thinking for three or four years, and we think that the control of credit should be a public service, performed by the Government for the people, and that credit should serve the people, and not, as it is today, people serving credit, because that is exactly what is happening. The men who issue the credit of this country in the form of currency, tell you what you are going to do, and what you will wear, and what you will eat, and when you will have a job, and we think in a democratic country like ours, it is too much power to place in the hands of one or even a few individual for private gain.

If we had a group of philanthropists, it would be a different thing, but if you have been watching during these last very bad years, you will see that the ba nks have been

paying large dividends all the time, and I believe if a man loans me money to carry on my farming operations, and if, through no fault of my own, I have a series of bad crops, under the conditions such as we have in Alberta, he should meet me half-way in a reduction of the interest charges. I know that one of the greatest companies in the province, the C. P. R., have reduced the value of the land, and have rdbated the interest, but apparently our banks demand their pound of flesh, in spite of anything which may happen. I thank you.

THE CHAIRMAN: We are very much obliged to you.

I believe there is a representative of the Retail Merchants' Association present, in the person of Mr. A. B. MacKay. We will be glad to hear from Mr. MacKay at this time.

MR. A. B. MACKAY: My lord, and gentlemen of the Commission: I take this opportunity to thank you on behalf of the Retail Merchants Association of Alberta, for the privilege of attending here today. At the same time I express our regrets that we have not had more time to assemble our material for you. Our membership comes from all over the Province, and it has been quite impossible to assemble the material and get the concensus of opinion on what should be placed before the Board, and I would like to take this opportunity, as others have done, of supplementing the mater which is being presented today.

If I may read this, I will try and consume as brief a time as possible, and travel over it fairly fast.

THE CHAIRMAN: Certainly, Mr. MacKay.

MR. A. B. MacKAY: The memorandum is as follows:-

In introducing this Memorandum it seems necessary to call attention in general terms to the positi occupied by the Retail Merchants in the modern Organized Community. They form a relatively large class who perform an important and indispensible part of the complex system of distribution of goods and merchandise. They constitute the last link in the long chain which carries all products from the primary producer to the ultimate consumer.

Under the present economic system the merchants (including in that term both individuals and corporate bodies) individually carry all responsibility and financial liability connected with their part in the business of distribution, that is to say, at his own risk each merchant buys from wholesale sources all the merchandise which he assembles in his store for sale to the consumer, incidently it is noted that in any community where the standard of living is relatively high, almost any merchant must carry a comparatively large and varied stock of the classes of merchandise in which he is dealing in order to meet the discriminating and selective demands of the consuming public.

The latter fact combined with the necessity he is under of carrying most of his merchandise on his shelves fo longer or shorter periods before they are purchased in the ordinary course of business by consumers, forces the merchant to use credit. He must either have large capital of his own, which is not the general rule, or he must have considerable credit facilities. In normal times the wholesaler provides him with credit for thirty, sixty or ninety days, and the banks extend a margin of further credit sufficient to enable him to carry his

business until such time as the consumer has not only purchased the goods but paid for same either in cash at the time of sale or after a credit period. It is very important for the merchant to have bank credit facilities to enable him to take advantage of trade discounts which are offered to him by the wholesalers for cash or early settlement, and he loses a part of his profitwhen due to contraction of bank credit he is unable to earn such discounts.

As is well known Retail Merchants are under the necessity of extending credit to their customers and credit sales usually form a large part of their sales volume. This is almost inevitable because consumers in great part and for a variety of reasons do not have the ready cash at the time when their demand for the goods arises. In the case of farmer-consumers they may in ordinary course have no money or means of getting money until the seas of the year is reached when they market their crops or other produce. In the case of urban-consumers most of these draw their wages at intervals of a fortnight or a month and depend largely on the merchants to supply them on credit with the goods which they require in the interval.

The outstanding fact in all this is that the merchant under ordinary circumstances in carrying on his part in the distribution of goods between producer and consumer has occasion to require and to depend upon credit from those who are co-operating with him in moving goods from the producer to the consumer. He, however, carries the risk of the situation, in other words, if through no fault of themerchant but due to general financial conditions the consumer either does not buy or having bought does not pay, the merchant is at the

mercy of the wholesaler or the bank, or both, by reason of the credit extended to him.

In normal times the merchant who is acting prudently may have little to complain of in the working of this system, under which he is now operating, excepting perhaps as to the relatively high cost of the credit which he is using and which adds considerably to the ultimate price paid by the consumer. For the purposes of this memorandum, in that connection however, it may be said that any improvement in the financial system which would enable the consumer to more readily pay for the goods which he buys from the merchant at the time of purchase would react to the advantage of the whole community.

In Alberta as no doubt elsewhere the economic depression of the last few years has been very severe up the retail merchants. Figures which have been assembled show that the farmers of the Province are indebted to the merchants (not including merchants in the cities of Calgary and Edmonton) in something between $40,000,000 and $50,000,000, most of which is overdue and long outstanding and can be collected only by a slow process. The total is estimated after enquiry, on an average of $9,500.00 per store.

The inability of the farmers to pay in the main must be attributed to the fact that the prices obtainable by them for farm produce have been so inadequate. The fact, however, remains that the merchants are greatly handicapped by such large outstandings and that has resulted and must result under the present system in great curtailment to them of bank credit for current business

which again results in loss to them of trade discounts. In a time of depression this all falls upon the merchants in addition to loss in volume of current business, due to the lack of purchasing power in the hands of the consuming public.

In defence of the merchant also it has to be pointed out that much of the credit which has been extended by them to the rural population has almost been forced upon them by the human necessities of the conditions which have prevailed. They have been adversel criticized in certain quarters as to the amount of credit which they have extended to their rural customers. It has been done no doubt to their own disadvantage havin regard to the financial system under which they are operating, but it has been a yielding to the imperious necessities of their customers.

From the point of view of the retail merchants it is in times of severe restriction of credit and scarcity of currency that he very easily becomes the unwilling victim of circumstances over which he has no control. In that connection this Memorandum is intended raise the issue quite sharply as to whether the financial system cannot now be better adjusted to meet the economic requirements of the modern community in its distribution problems.

It is generally conceded and is a more or less self evident fact that modern production and its agencies is able to readily supply the consiming public with plenty of all that they may reasonably require. It is almost equally clear that the State has its greatest prosperity and success in the full-running process of ample production, distribution and finally consumption

by the people of all the many things which they can in any wat make use of in their lives. It is submitted that, that process and the ever stimulating activity which goes with it, is the great factor from the point of view of the modern State in safeguarding and encouraging prosperity among its citizens. Any stoppage of that process for whatever reason is something to be avoided at almost any price. The State as a whole has a dominant interest in seeing to it that all obstacles to the continuance of the process by which goods are produced, distributed and consumed within its borders are at once overcome. By the same token it is obvious that private interests which are based on the profit to the individual or the corporation cannot be expected to attempt this. A financial system which rests entirely on the private interest will not and cannot respond to the difficulty which presents itself.

Falling commodity prices due to the mal-distribution of the standard commodity gold, or to any other economic cause inevitablymeans that goods cannot be plentifully produced ar distributed on a profit basis in the State. That means under the present financial system, unemployment spreading throughout the State with all its attendant misery and wreckage. It means contraction of credit by financial agencies operating entirely on a profit basis. It means absence of purchasing power in the hands of the consumer even almost to the point of cessation if it is continued long enough.

There is no intention in this Memorandum to place blame on the banking institutions, or on any other organization under the present system for any of the

extraordinary and direful consequences which follow in the wake of falling commodity prices. The intention is to suggest rather that the difficulty must be met by the State as a whole and it is hoped that this can be done without too great a departure in the direction of socialization.

Events it is respectfully submitted, have more especially in the immediately preceding years given a new orientation to the whole problem under consideration. Production cannot go on successfully unless distribution, its methods and machinery are overhauled and speeded up. The Retail Merchants as a class are among the first to suffer when consumers begin to lose purchasing power. The last link between the producer and the consumer, the merchant is the first to experience the shock of the consumer being found without the price of the goods. He knows that the demand for the goods is there in strength but with no means in the hands of the consumer to satisfy t want.

It is respectfully submitted that in the interests of the State and of all sections of Trade, Industry and Commerce, the financial system required to be closely examined to ascertain what can be done to prevent any fall in the purchasing power of the consuming public, because the moment that begins to take place the sales of retail merchants fall off and a process of shrinkage is set up which is transmitted back through the various agencies of production and distribution, causing unemployment as it travels. The unemployment so created still further restricts purchasing power in the consumers and a period of depression very quickly establishes itself so to speak, under its own momentum.

It is emphasized that the present financial system fails to respond in the right way at this very point, namely where purchasing power in the hands of the consumer begins to fall off. Later on as it well illustrated by present day conditions the State is called upon to alleviate the mischief by schemes of unemployment relief and other very expensive and more or less ineffective palliatives. None of these can ever remedy the evil or repair the ruinous damage which has overtaken the whole community. It is therefore of the highest importance that the financial system be so adjusted that it automatically responds in the right way, at the very moment when those forces begin to make themselves felt which result in loss of purchasing power in the hands of the consumer.

It seems very necessary and in fact imperative that the procedure and machinery be now developed whereby the State permanently controls credit and the management of currency, or automatically takes over the management of these when the occasion requires to the end that the normal purchasing power of the consuming public is at all times preserved. It must surely be conceded that it is wiser to have the State function in this way to maintain prosperity rather than that it should be confined to the work of salvaging wreckage in the community which so inevitably follows upon sustained loss of purchasing power in the hands of the consumer. It is urged that every effort should be made at this time to attain this objective so that a very apparent and expensive weakness in the present financial system be overcome.

The Retail Merchants are tremendously interested in better arrangements being worked out whereby the purchasing power of the consuming public be maintained at all times and under all conditions. They consider that that is fundamental to the successful handling of all financial problems in the modern highly organized State. They consider that all sections of the communities are equally interested in it being accomplished They consider that there is nothing impossible in the force of production going steadily ahead providing that the system of distribution is adequately taken care of by the system of finances behind same. There is a public utility aspect behind credit and currency which seems to dictate that these be not left in thefinal analysis to be either expanded or contracted to suit the purposes or to meet the needs of any private agency or agencies based on profit. This is in no way meant as a reflection on existing agencie it is rather the outcome of experiences arising in the modern business community, and it is a suggestion which has the merit of being supported by what has been done in Great Britain for some time, and by what is being attempted in the United States of America at the present moment.

Perhaps it should be said that this Memorandum is being prepared all too hastily and is not as complete as those presenting it would have wished. The Commission has to some extent taken the community by storm in the rapidity of its movement and those interested have hardly had sufficient time in which to assemble the information or prepare the arguments which they would have wished to present ot its members. Perhaps by reason of that fact some further opportunity may be afford ed for a further hearing or if that is impossible

perhaps permission might be extended for the filing with theSecretary of any additional statements which may be desired on or before the appointed date.

Gentlemen, that is the contents of the memorandum which has been somewhat hastily prepared, and we would like some further opportunity of making any suggestions which may come from a more mature consideration of the questions, by the merchants of the Province.

THE CHAIRMAN: I think you have covered the ground excellently, and if anything does occur to you later on, we shall be glad to receive your supplementary memorandum, which you may send on to us at any time.

HON. MR. BROWNLEE: What is your membership?

MR. A. B. MACKAY: Mr. Premier, I cannot be a sou of detailed information, but I have the Secretary with me, of the Association, who will no doubt reply to your questions.

HON. MR. BROWNLEE: I would like it on the record.

MR. A. C. MACKAY: About twenty-five percent, sir. May I say just one word. While we represent twenty-five percent in actual membership, we always consider the Assoc tion speaks for and on behalf of all the merchants who are in business. The only reason we do not represent more, is because of the fact that they have not sufficient money to pay for the membership.

HON. MR. BROWNLEE: In round numbers, how many individuals does that represent?

MR. A. C. MACKAY: About fourteen hundred.

HON. MR. BROWNLEE: Can you tell what rate of interest, on the average, your merchants pay for their credi

MR. A. C. MACKAY: My information is to the effect that it varies very considerably?

THE CHAIRMAN. Within what range?

MR. A. B. MACKAY: I should say from seven percent to nine percent.

THE CHAIRMAN: According to the security offered?

MR. A. B. MACKAY: I don't think that has any effect whatsoever.

THE CHAIRMAN: Why does it vary?

MR. A. C. MACKAY: Why does it vary?

THE CHAIRMAN: Yes.

MR. A. C. MACKAY: I think probably a banker could answer that question better than I.

HON. MR. BROWNLEE: Do you find that the merchants out in the small country points, might have to pay a larger rate of interest than one of the larger centers. Is it a matter of turn-over?

MR. A. C. MACKAY: No. I think a merchant is gauge more on his ability to efficiently serve the people of that particular community. I would say that in some cases where the merchant has adequate capital of his own, and lived up to the policies as advocated by the local banker, he is naturally looked upon as a better borrower.

THE CHAIRMAN: Which comes to this; that it is proportionate th the risk?

MR. A. C. MACKAY: I should say yes and no.

THE CHAIRMAN: That sort of leaves us up in the air. We will say, "one element of the risk"?

MR. A. C. MACKAY: Well, my lord, if I might be per-

mitted to outline very briefly, the position of some of our retailers, it is this: Living in the same community as the consumer, they cannot afford to take the same independent attitude as our bankers. They are dependent upon the public for their business. They are compelled by circumstances to listen to the consumer in a much more sympathetic manner than the banker usually does.

My experience has been that in a great many communities of this Province, the retailer is taking the place of the banks, and has extended credit to those whom the banker has refused, because the banker usually takes a cold-blooded, business view point of the story, whereas the retailer takes a more humane view of it and tries to carry the consumer over the bad periods.

They represent a large part of the debts of the retailers in this Province today; they have been compelled to accept that responsibility.

THE CHAIRMAN: Do you suggest it should have been transferred to the books of the bank?

MR. A. B. MACKAY: I should say that a considerable portion of the load being carried by the merchants today should certainly be on the books of the banks, that is, if the banks are supposed to function as we like to think they should, in assisting our consumers and pur producers in producing what is, after all, the recognized wealth of our State.

SIR THOMAS WHITE: Do you suggest that the retail merchants have looked on the situation, not only from a business standpoint, but also from a humanitarian standpoint because of the very intimate association between the cus-

tomer and the retail merchant?

MR. A. B. MACKAY: That is so. They are compelled to do that. They have no choice, and they have carried farmers whom the banks have refused to accept.

SIR THOMAS WHITE: I understand the figure "forty million" was mentioned---

MR. A. B. MACKAY: Yes, Sir Thomas, between forty and fifty millions, not including the two larger cities of the Province, and we obtained that information from a questionairre, which was very closely analyzed, and I do not think I am exaggerating when I quote those figures.

SIR THOMAS WHITE: Mr. MacKay, at the close of your very admirably-worded presenta tion, you referred to what was bring done in Great Britain: had you in mind the construction of public works, which would give increased pubchasing power throughout the country?

MR. A. B. MACKAY: No, Sir Thomas. I was rather addressing myself to the point in connection with distribution, to precede the efforts the governments have now to make to salvage the wreck; in other words, if it could be discovdred, when a period of depression sets in, how the purchasing power can be kept in the hands of the public, you can do that, if it is at all possible, and you would only have to develop public works later on, because the public will purchase goods, and go on buying goods, and the system will keep running.

What happens to a system in a period of depression? Commodity prices are falling, and we have everybody running out and stopping making them. Everybody is making goods for profit, and what is the use of making goods today, which

will be cheaper tomorrow. So if the Government can maintain the purchasing power in the hands of the public, the will go on and satisfy their wants, and buy goods all down the line, and everybody will stay at work.

SIR THOMAS WHITE: One method they have adopted in England, and which they have under consideration in the United States, is the construction of public works, which would give increased purchasing power throughout the community. Pardon me for interrupting you, Mr. MacKay, but that was all I desired to ask you.

THE CHAIRMAN: Thank you, Mr. MacKay.

I understand there is a gentleman here who has another engagement, and I believe he wants to make a few observations, that is Mr. Maybank, representing the Albert Pharmaceutical Association. We shall be glad to hear from Mr. Maybank at this time.

MR. MAYBANK: I thought last week possibly you would not have enough work, so I sent a letter to the Calgary Herald, which, with your permission, I will read today.

THE CHAIRMAN: Certainly, Mr. Maybank.

MR. MAYBANK: This letter was as follows:

"Editor of the Herald.

"Now that we have a Commission appointed to inquire into banking, would it not be well to have them take up the question: "Why are the banks allowed to charge practically nine percent"?

"Another item worth mentioning is the service charge, five cents on every cheque issued, and the same on drafts that I accept. This five-cent charge

has nothing to do with the stamp tax.

"Years ago the complaint was that the C. P. R. owned the country and time also. Evidently they have assigned these to the chartered banks of Western Canada .

"If ever the country needed a Bank Act revision it is now, but it needs to be handled by some one, that can put and keep the banks in their place.

"Possibly the service charges that I have referred to are unknown in other places, and if so it is a case of "See Olds first".

"Thanking you for your valuable space,

(signed) M. R. Maybank.

"Olds, Alberta".

These interest charges have been mentioned this afternoon in connection with securities. None under Heaven knows why the bank charges these different rates of interest. We have about four hundred druggists in our association. I happen to be the Registrar and the Treasurer. We have one man here, a Mr. Halliday - he does not mind my mentioning his name, as I did once before - he went to borrow some money, and they put a note out to him at eight per cent., and he said he would not sign it, and they conferred together for a few minutes, and they brought out a new note and had changed it to seven per cent.

There has been a great deal of kicking in this Province in connection with this service charge which is collected by the bank; the banks say everywhere; whether it is or not I don't know. A number of firms pay it in the Olds district, and a number of business men have paid it. I have paid

it - five cents on every cheque and draft, which seems rather a high tax in view of the fact that they are getting more than the law allows them to-day.

If I might be permitted, may I read this letter from the Bank of Montreal which was sent to me in Olds on March 2nd headed, "Service and operating charge, mercantile accounts."

THE CHAIRMAN: Is that a collection account?

MR. MAYBANK: No, a service charge up our way. I do not know what they call it in other places. I know what we have called it, but I will not say it here because I think there are some ladies in the audience This is on a cheque drawn in Olds and paid in Olds. It has nothing to do with the exchange.

THE CHAIRMAN: Drawn in one townand paid in another?

MR. MAYBANK: No, paid right in Olds.

THE CHAIRMAN: Supposing I draw a cheque on my account in Calgary payable to one of your people in settlement of an account; would that charge be made?

MR. MAYBANK: It all depends on how much money you have in the bank. I can go out to pay my bills at a store down the street and give a cheque for $10.00, and that cheque is charged up to me at my bank at $10.00. At the end of the month I get that little blue slip, such as I have handed you.

SIR CHARLES ADDIS: This is onan overdrawn account?

MR. MAYBANK: No, that is not an overdraft. An overdraft is an unknown thing in Alberta to-day.

SIR CHARLES ADDIS: It reads right there

"An overdraft charge."

MR. MAYBANK: It is called an overdraft charge, but there was not an overdraft during the whole month, and I have a letter to bear that out from the Manager of the Bank of Montreal at Olds.

THE CHAIRMAN: Would you leave a copy of that with us?

MR. MAYBANK: Certainly, and I can send you some more if you want them.

SIR CHARLES ADDIS: This says: "Overdrawn".

MR. MAYBANK: No, it was not an overdraft.

SIR CHARLES ADDIS: Not even for one day?

MR. MAYBANK: No, not for a minute.

THE CHAIRMAN: May I keep this letter?

MR. MAYBANK: I will read it to the shorthand writer?

THE CHAIRMAN: Very well, give it to the shorthand writer, and it will be in the record. In connection with that it would seem to me that this five cents charge on cheques -

MR. MAYBANK: It is not an overdraft charge. On the 13th of June I wrote to the Manager of the Bank of Montreal at Olds--I did not have time to see him, as he was about four doors away, and I said:

"Dear Sir:

I note the following amounts have been charged up against our account, without our consent, and then follows the amounts - totalling $9. 10. Please see that the above amount is placed to our credit without delay."

On top of that the Bank of Montreal came back with a letter dated the 15th of June as follows:

"I wish to advise you that we have forwarded your letter of the 14th instant to our Superintendent for his instructions."

-- I do not know whether that was at Toronto or Montreal or Calgary.

Then on the 27th of June I wrote them again and asked them:

"We have no alternative but to demand an immediate refund of the operating charges referred to in our letter of the 13th instant, together with accrued interest" --

which I think amounted to 12 cents.

I went in on the 3rd day of July, on a Monday, to pay a note which was due, on which I had been paying, the same as the farmers had been paying, from eight and one-half to nine per cent. interest. The note was drawn for three months. The accountant informed me that they had placed the operating charges back to my credit. I said, "What about the interest?" and he said, "You have got that too." I said, "What have you done to the other fellows around town who have not squealed, and he said, "That is none of your business," but I made it my business to go around to find out, and not one of them got it back.

THE CHAIRMAN: We are very much obliged to you. Information of this sort is very useful.

We have a representative here to-day from an unemployed organization, in the person of Mr.C.H.Carter. We shall be pleased to hear from Mr. Carter at this time.

MR. CARTER: Your lordship and gentlemen of the Commission: You will wonder what business the unpmployed will have in connection with this inquiry of yours, how they are related to it, because they have no use for banks, and it might be said that the banks have no use for them. They would not loan money to them, sir, and that is one of the most serious charges you can bring against a banking institution from anybody's point of view, whether from the point of view of the business man or the working man; if he cannot get any money to get on with he, in the Douglas parlance will run short of purchasing power.

I was encouraged this morning by your introductory address to ask permission to say a few words on behalf of the unemployed. Upto that time I had no idea it would be possible to say a word. However, the unemployed are the most important people I believe, to-day, within the confines of the Dominion of Canada, probably within the world itself, They are coming in for a lot of consideration, and it is a very hard matter to adjust the difficulties. As far as the unemployed are concerned, I am sure youwill agree, of course, that something ought to be said for them; otherwise you might not have allowed me to have appeared before your Commission.

The unemployed do not understand very much aboutthese monetary matters. Theyknow they have no money in their pockets, and that is pretty inconvenient, but as to the intricacies of finance, and all the parlance connectedwith it, and the idea of the gold standard and what it means to all of them, they do not understand

a thing, but they do understand those things which are closely related to their lives, and also to this matter of finance. Theyknow that in this country in which they live there is great abundance, that is a very salient fact. There is no shortage of provisions for the needs of the people in Canada.

They also know they have the means to amplify that to an almost unlimited extent; they have the man-power, the machinery, the conveniences to bring them to a state of completion in Canada, and they are struggling very hard and may do in the course of twenty-five years what they have done in Russia. We have solved the problem of production; we know how to produce the goods and can produce them to an almost unlimited extent. The common people know that. They ask themselves the question, "Why are we in this condition of stagnation? Why are we even suffering want?" The people to-day are in a state of semi-starvation; they cannot continue, having regard to the situation, where we have so much abundance and where goods are displayed with such ostentation and used with so much profit and pleasure by so many of the people. These millions of unemployed are in a state of semi-starvation, compared to what they should enjoy.

They say, "What is the reason we cannot make these Things go?" and they have come to the conclusion that it is a money question.

Now, this money management is in the hands of the bankers, and they are mismanaging the business. That is in the minds of the people, and I am convinced that is the only conclusion to come to. We are

instructed in these matters; we do not even have to delve into these things for ourselves; we do not need any brains or ability. All we have to do is to listen to men like Ramsay MacDonald and President Roosevelt, and the Farmer Party of Alberta. They issue a paper here. Here is one, "Bank is in the dock", and it contains all about the May Commission. I have been looking for your name, sir, but I do not see it, but I suppose you are related with them.

Here we have another "The money changers stand indicted". We get our instructions that way. A very prominent man named Mr. Chase, has written an article entitled "The New Deals", and in that he gives sixteen different ways that you can make money. These financial people are making money in all sixteen of these ways, speculating and so forth, and they have balled things up; that is what they did, and I thought I would like an opportunity to tell you that.

We sent a man from this constituency to manage our affairs in Canada, the Right Honourable R.B. Bennett; we all know him. He is a pretty good sport, old R.B., and the only thing for him to do, in my judgment, is to give to a large number of his constituents a change of this monetary system.

THE CHAIRMAN: Thank you, Mr. Carter. I understand that Alderman Humble has some observations to make regardin the note issue.

ALDERMAN HARRY HUMBLE: Yes, my lord.

THE CHAIRMAN: Have you made a special study of this question?

MR. HUMBLE: More particularly, my lord, in the matter of municipal finance. That is what I desire to discuss.

THE CHAIRMAN: We have had representations on this subject from other quarters, the general purport of your view is that the unicipalities either directly or through the provincial government should have access to the Treasury Board to obtain against accrued securities, certain amounts.

MR. HUMBLE: Well, secondly, yes. First, of course my present views are that we should challenge the right to private ownership of public credit; we should nationalize our means of exchange.

THE CHAIRMAN: That has been brought to us on several occasions.

MR. HUMBLE: Secondly, of course, if it is not done, then I feel the municipality should have access to the Treasury just the same as the bankers who are able to secure their necessary moneys to carry on essential public services on the same terms and conditions as moneys obtained by the private banks.

There was another point, my lord; I do not wish to weary the Commission. You have no wish to listen to personal grievances, and I have none at all. I think my bankers know me too well to loan me any money, so I do not owe them anything.

We in the City of Calgary have a very peculiar situation, and I feel that the brief of the City, although I supported it, did not fully deal with the matter, and therefore I sought an opportunity to personally address you.

The necessity for this access of municipalities to the Treasury to secure some othermeans of financing is what I want to deal with for just a few minutes.

This city finds itself in the position of being , at the first of the year, with no money, not being allowed to budget in the previous year for a surplus, they have nothing to start 1933 with. The first thing it has to do is to go to its bankers - because it has some choice of that. They ask for credit.

Now, the type of security offered in this case is the current taxes. Take 1933, they are looked upon as the highest class of security, but even though that is so, the carrying on of the essential services of the city depends not upon the type of security which the city is prepared to offer to the banks, but the carrying on of ourservices, health service, hospital service, care of our indigents and sick, garbage collection whatever the service may be--all essential services -- depends to-day on the decision - I do not care to use a cheap word like "whim", but it might even be that - but it depends on the decision of a bank official somewhere, it may be in Calgary or far removed to Eastern Canada. That, after all, is a very serious position, when the services which are necessary for eighty-five thousand people should be allowed to be discontinued on the say-so of any official in a bank. I feel this is the time when we should question the present banking system. Now, if the Commission, my lord, does not recommend the nationalization of banking credit or does not see fit to recommend the creation of some form of central banking

that the present conditions should be looked upon as favourable by the Commission to present the machinery, the modus operandi.

Then I would like to direct your attention to Section 138 of the Bank Act, and to ask, my lord, that the Commission consider that section particularly. Here is the position, stated quite briefly. The people of Canada, represented in their federal government grant unto private corporations the right to operate credit, and to sell it again to the same people, to ourselves, now in the City of Calgary. The people here grant to the private corporation the right to deal with credit and sell it back to us at a profit. Now, the provision of section 138 of the Bank Act, my Lord, which no doubt is well known to all the commissioners, does not exempt the public itself, does not exempt the Province of Alberta does not exempt the municipality of the Corporation of Calgary, but it says:

"Every person, except a bank to which this Act applies, who issues or reissues, makes, draws or endorsed any bill, bond, note, cheque or other instrument, intended to circulate as money, or to be used as a substitute for money, for any amount whatsoever, shall incur a penalty of four hundred dollars."

Now, I submit to you that if the Commission is not prepared to agree with my radical efforts and go all the way, which I doubt very much in my own mind whether we are ready for that in Canada yet, perhaps we shall have to realise the failure of democracy more before we are prepared to do-individualize the individual to that extent--then I submit that any new banking

regulations into Canada should contain a clause that should exclude those in regard to the granting to municipalitis or corporations the right to do anything within its own borders to make any provision of currency. I have in my mind, for instance, a case in the City of Calgary. We have to carry on our essential services, and we need money. We do not collect that money until June. It is true we get some percentage of it in the tax pre-payment, but not sufficient to pay for our services. We have to pay them equally over the twelve months; we have to pay wages twice a month, but we only collect our money once a year. I have this in mind, that we might issue in Calgary something in the nature of a tax anticipation certificate which could be used for any purpose, even to paying the city for any debt owing the city. We would only need a very limited amount. Perhaps one million or one and one-half million dollars would suffice. Our income over the year is about $7,000,000 for all purposes. I do not think those who handle these certificates need worry; they would be perfectly secure, and it would have the same security as credit from the bank. So, therefore, I ask, my lord and gentlemen, that you consider that feature, if you do not recommend some more drastic change in the operation of our banking system, that you bear in mind this suggestion and make it possible for municipalities to help in financing themselves, and not have to pay a profit or toll on their own credit.

There might be something which would interest you, my lord and Commissioners, with regard to what

municipalities are faced with, under the present debt creating structure.

We have entered into some public works here. We built what is known as the Glenmore Reservoir. The citizens paid three million three hundred and seventy thousand dollars for that project. There was an over expenditure which made it a little over four million dollars but before the public gets this thing actually paid for, under the present constitution of things, the people of the City of Calgary, through their water meters or their water tax, will have to pay somewhere in the neighbourhood of thirteen million dollars, or eight million nine hundred thousand dollars of interest alone over the forty years before these debentures are actually redeemed. That is the real heart-breaking thing to me, and I feel if some arrangement could be made whereby public monetary requirements could be arranged on same terms and conditions as those granted to the bankers themselves, I think it would be looked on with favour throughout the whole of the Dominion of Canada and I believe would be a step inthe right direction, if not, if the municipalities might be exempted from Section 138 of the Bank Act.

THE CHAIRMAN: There is another gentleman who came in from no less than two hundred miles to the north and who undoubtedly wants to get home. We will be glad to hear him now. It is either Mr. Stapleton or Mr. Henderson.

MR. HENDERSON: I will be glad to speak, my lord,

THE CHAIRMAN: I am sorry we could not take you sooner, but a number of people wanted to express their views.

MR. HENDERSON: That will be time enough, my Lord. You probablywill want to know who I am and what I am.

THE CHAIRMAN: Exactly; you might introduce yourself.

MR. HENDERSON: I am farming about forty-five miles east of here, and I am a strictly grain farmer. I do not raise anything but wheat. I represent one of the biggest export products in Canada, more wheat is exported I suppose, than any one article.

THE CHAIRMAN: How many acres have you?

MR. HENDERSON: I have two and one-half sections, sixteen hundred acres .

I am like probably fifty per cent. of the farmers of my locality in this fact, that the wheat farmers in ordinary times depend altogether on the wheat. They do not raise hogs; they do not do diversified farming, and the consequence is that they only produce and sell once a year. I do not knowexactly what you want to hear from afarmer of that kind.

THE CHAIRMAN: Evidently you represent a class here, and we wanted to know whether you found any financial difficulty in handling your crop, as far as your relations with the banks is concerned. Have the banks helped you or failed to help you?

MR. HENDERSON: I have banked with two different banks since I have been in Canada. I have been interested in Canada ever since 1908, and I have been farming myself since about 1923. I have been here during some of the high prices, but not all of them, individually farming, but I owned land in this district

when we got $2.85 a bushel for our wheat. Last year I sold three carloads for 25 cents a bushel. The average price I should think in that time has been around one dollar or one dollar and a quarter a bushel.

THE CHAIRMAN: How far have the banks helped you out of your difficulty?

MR. HENDERSON: Well, I never in my experience applied to a bank without getting what I applied for.

THE CHAIRMAN: Do you consider that the rate of interest that was charged was reasonable?

MR. HENDERSON : I did at the time it was charged yes. I always paid eight per cent. interest; I never paid any less than eight per cent. on current accounts.

THE CHAIRMAN: Have you had the experience of adding the interest to the principal, and then charging interest on the accumulated sum on short-term notes?

MR. HENDERSON: Yes, I have had that experience. I have banked with different banks. I have changed my bankers because I did not like the system of the first banker.

I think this banking system is largely due toa plan followed out by the different banks. The first bank I banked with, their limit was about three months on a note, and when I went in I gave my note for the amount I wanted, and it had to be renewed within three months. I never had the inconvenience ofhaving a banker ask me for the money before I had the money to pay it with, before my crops came off. He knew when I borrowed it I would not be able to pay it until after harvest.

THE CHAIRMAN: When you did come to pay, did you

find that the sum included interest on interest?

MR. HENDERSON: Yes, always. There was one thing I did not like about the banking system at that time, that is, with this particular bank. When I gave my note say, for $100 or $200, and in three months went back to renew it, the interest was added to that, and I paid interest on the interest after three months.

SIR CHARLES ADDIS: Did you pay the interest?

MR. HENDERSON: I did not pay it until the end of the time. There is another thing: Formerly I had done business in the United States, and had owed the bank there two or three thousand dollars a year at different times, and when I paid my note I always got the old note back, but at this bank I did not. When I paid my note they retained it until the rest of the notes were paid, until the ultimate payment was paid. If I had given two or three replacement notes in the meantime, those notes were all retained until thefinal payment was made.

THE CHAIRMAN: You said you applied to another bank --

MR. HENDERSON: The second bank did not do that. If I paid a note at the bank I always got my note back.

THE CHAIRMAN: Do you find much competition between the banks?

MT. HENDERSON: None whatever. I changed my bank from one institution to another because I did not like the operation of the first bank. In the second bank I did not borrow any money for over two years, and I did not know what attitude they would take, but I was fortunate enough not to have to borrow any money

from them for two years after I began to do business with that bank. I will say this much; that the rate of interest from the bank on long-term notes were decreased the first of May. I got a notice of a decrease of one-half of one-per cent., and then a couple of weeks after that I got a notice there was another reduction of another one-half of one per cent., making a reduction to seven per cent. on long-term loans. I have no short-term loans this year, and I do not know what the rate of interest is.

SIR THOMAS WHITE: What do you term "a long-term loan"?

MR. HENDERSON: In this I will give you my personal experience. At the start of this first depression some farmers were not able to meet their operating expenses for that year, and up to that time I had never been asked by any bank to give any more security than the ordinary statement of my business affairs --

HON. MR. BROWNLEE: I suppose in operating a farm of that size your expenses would be quite substantial during the year?

MR. HENDERSON: They are in normal times, when labour is high and everything else is high. When you have a total failure one year, and do nothing but the wheat work, and do not bother with anything else except the small grains, and you have almost a total failure one year, your deficit is quite marked. For instance, I think it was something like five thousand dollars I went behind in one year. Since that time I have been able to meet running expenses during the

depression, but I have not been able to make up the deficit on the investment - the interest on the investment.

MR. LEMAN: You say you represent about fifty per cent. of the farmers; do you find any difficulty in paying any interest, or rather, is it a question of difficulty under certain conditions, and meeting principal payment?

MR. HENDERSON: I have been fortunate in my relations. I do not know much about my neighbours in a financial way. Some of them do not bank where I do, and if they did I probably would not know anything about their relationships, but I know this much, that most of the farmers in my locality are having trouble getting finances enough in many cases - in borrowing any money at the bank at all.

(Pages 915 follows)

SIR THOMAS WHITE: What you want is a rise in the pric levels?

MR. HENDERSON: I think what we need is a fair price for our products, and something to give to our creditors too, until we have a chance to pay them off.

THE CHAIRMAN: Thank you very much.

THE CHAIRMAN: Is Mr. Stapleton here? Is there any point, Mr. Stapleton, we have not had brought to our notice to-day from the farmer point of view that you would like to tell us about?

MR. STAPLETON: Well, I have been a livestock man all my life; I am a rancher.

HON. MR. BROWNLEE: Where do you ranch?

MR. STAPLETON: North of Medicine Hat on the Red Deer River.

THE CHAIRMAN: We have had Mr. Mackay from High River. Have you anything that you would like to say from the ranch ers point of view regarding the facilities bankers afford?

MR. STAPLETON: I have been doing business with banks since I was 16 years of age and I never had any trouble; th always paid my cheques and always gave me money when I need it.

THE CHAIRMAN: We were told you had sent in your name because you desired to tell us something, Mr. Stapleton. Is there anything you wish to tell us?

MR. STAPLETON: Well, take it for the last twelve year there are only three years in which we have made money, the

others all show a loss. And so I thought that probably the banks should stand a little share of that loss by reducing the interest rate until such time as things improve.

THE CHAIRMAN: That is the point you wish to bring forward?

MR. STAPLETON: I am not insisting on it but I think they should do it in all fairness. The ranching business on account of the long depression is in a very poor condition, you simply cannot dispose of your stock.

THE CHAIRMAN: Well, we will take note of your point, Mr. Stapleton. Thank you very much for coming here today.

MR. STAPLETON: As far as I am concerned I have no fault to find with any of the banks.

THE CHAIRMAN: There are one or two gentlemen who have prepared documents which they have put in. It is only a question of whether or not they desire to speak to them. There is a brief which has been supplied to us by Mr. Crowle regarding a central bank. Is Mr. Crowle in the room? We have a number of people, Mr. Crowle, to hear yet, and perhaps you will be satisfied to let your brief stand as your presentation.

MR. CROWLE: I have no desire, my lord, at this late hour to add very much to what I have prepared. If I were sitting with your lordship I would not wish to hear it at this late hour.

(Page 918 follows)

Brief Presented by Harold E. Crowle.

Hostility of Banks to C reation of Central Bank.

The Monetary Commission may or may not determine that a central bank is desirable and its establishment in Canada justifiable, but having done that it may fail to convert the Canadian banks to the idea or to overcome their very probable hostility to its creation. That hostility is a fact which has to be faced and a view has lately been expressed by a writer on the subject to the effect that so long as that attitude of the banks contin a central bank in Canada would have little chance of a useful existence for the reason that friendly cooperation by the other banks with the central bank is a sine qua non of successful central banking in Canada. If that is case, we might as well save the expense of the commission so far as the consideration of a central bank is concerne as it is almost a certainty that the Canadian banks will remain for an indefinite period unalterably opposed to th establishment of a central bank.

Nationalization of Banks is no Solution.

Some will say that the way out is to nationalize the banks. Such a step is not likely to be taken by any Canadian Government other than one elected on a very radi programme. The evidence supplied by the experiences of other nations which have attempted to control their bank systems seems to be all the one way on the question of nationalization. Government cannot be trusted with the sole control and management of public credit. The temptations to use that credit to tide over their pressi needs are too great and are yielded to much too often.

Monetary policy must be free from political as well as all other influences. The experiences of Germany, France and Spain in recent years where the governments in those countries found it much too easy to finance through their respective central banks show that state control of banks is to be avoided at all costs.

Resolution 111, proposed by the Commission on Currency and exchange and adopted by the Brussels Conference, 1920, was as follows:

> "Banks and especially a bank of issue should be freed from political pressure and should be conducted on the lines of prudent finance."

This does not mean that the state shall have no power of control or regulation over a central bank and the relation of the central bank to the state and the proper degree of state interference and control of such an institution are considered later in this article.

Must we then give up the hope of having a central bank just because the other banks do not want a central bank? Is there any middle course between nationalization and having no central bank at all?

Central Bank is Possible if Given Adequate Powers of Control.

The view sought to be expressed in this article is that we can have a central bank which will be able to carry on in spite of the coldness and hostility of the other banks, provided machinery is created giving the central bank adequate control over the other banks sufficient to make them walk the chalk line whether they wish to or not. In other words, if the other banks continue to wholly oppose

central banking in Canada, let us have a bank provided with some real teeth and not false ones. In course of time, when the banks find that a central bank has come to stay and that they just have to mind whether they want to or not, they will accept the situation and cooperate with it as banks do in other countries having central banks.

Central Bank Needed to Conduct Banking Orchestra.

Mr. Keynes in his recent treatise on money, says: "One might have supposed that in any well contained monetary system, the member banks who operate in isolation and without special regard to the general interests should be put under the discipline of a central bank and that the element of discretion in the system should mainly inhere in the central bank."

Treatise on Money Vol. ii-p.262

Control is Effected Through Control of Cash Reserves.

While banks seek to keep the most of their resources earning interest consisting of loans to customers and in more liquid investments such as governmental and other bonds and securities and on call loans, they nevertheless in obedience to a well established custom, maintain about on the average in most countries from ten to twelve per cent of their entire resources in legal tender money in Canada is gold or Dominion notes and this real money is presumably kept in their vaults.

In Canada the amount of this reserve should instead of being left to custom and to the discretion of the banks, be fixed by law at either a definite percentage of the total of all deposits or as favoured by Mr. Keynes and as provided in the Federal Reserve System at a small percentage

in respect of savings deposits and a larger percentage in the case of account or cash deposits. All of the legal reserves of all of the banks as fixed by law, should by law, be deposited in the central bank. In Canada if the percentage were fixed as it is at present maintained by the banks, it would result in about two hundred millions of legal tender money being deposited with the central bar as the banks continuing to issue their own notes would not require to keep very much legal tender money in their till This would give to the central bank, control over the memb banks as shown below and provides also the resources with which the central bank may carry on business and manage the system and as Mr. Keynes points out, is by way of contribution by the member banks of part of the cost of operating the central bank.

Given this method of control it is apparent that the banks as units can move ahead by way of expanding their loans only as permitted by the central bank. If any bank lags behind the other banks, its coffers fill with cash which it will seek at once to place out at interest. If i goes ahead faster than the rest, its position at the clear ing will become such that it will be compelled to draw on its cash reserves but it must by law make such withdrawals good and to do this, must borrow from the central bank or rediscount its securities there and in this way is placed under the dictation and control of the central bank.

Additional Powers of Control.

A somewhat drastic power of control which has not yet been embodied in the charter of any central bank but which recommended by Mr. Keynes (see Treatise on Money Vol. ii-p

78, and p. 260, 261) is that whereby power is given to the central bank board to vary either up or down the reserve ratios of the member banks. This power would be used by way of discipline of a bank which refused to carry out the wishes or directions of the central bank either when it loaned too much or loaned in a way not approved by the central bank or failed to move in the direction indicated by the central bank. It is proposed that this power should be vested in the board of the central bank of Canada in order that it maybe able to function notwithstanding the hostility of any bank or banks and may be able to compel such banks to carry out its wishes and it is shown how this power may be properly and usefully exercised. How drastic this power actually is is manifest when it is considered that if it is used in respect of any bank that bank would at once have to seriously curtail its loaning operations and thus at once suffer a shrinkage in its earning power.

Two Directions of Exercise of Control.

The chief direction in which central bank control of member banks is exercised is that of control of total volume of money and credit. It is considered that an equally important field of control is that of control of distribution of that total volume.

Control of Volume of Money and Credit.

In view of the fact that open market operations and raising and lowering discount rate as tried out by the Federal Reserve Banks in the United States over a period of ten years has not clearly demonstrated its effectiveness there as a means of control of the price level as it has been found to work sometimes and at other times to have litt

if any effect, and in view of the fact that in Canada we have no real money market and the market for securities is somewhat limited, it is not argued that the case for a central bank for the exercise of the function of control of volume can be clearly made out.

Notwithstanding this, however, it is nevertheless desirable to have a central bank which can pursue the methods of control which do exercise more or less influence in other countries and would exercise some influence in Canada, and which would give a lead if nothing else to the other banks and to the public. When a boom is on and business moving at what the central bank board considers to be too fast a pace, a sale of securities and a raising of the rate of discount by the central bank is a clear signal to business and to the banks that bad weather is ahead and should have the effect of slowing down the pace and thus possibly averting a severe panic. And when in a depression the central bank injects new money into the whole system by a purchase of securities and makes borrowing and rediscounting easier by lowering the discount rate, that is a signal from the leader to march ahead and helps supply the all essential confidence without which all that the banks can do is of little avail in starting a rising price level and a return to prosperity. We would thus have a leader inspiring confidence in times of depression and providing a warning in times of prosperity, so badly needed by the profit-seeking world, including the other banks, a leader divorced from the profit motive and with its eyes above the whole scene and unblinded by the lure of expanding profits and dividends and undaunted by the fear inspired by a state of depression.

If, however, the banks refuse to heed the lead given them by the central bank, and either keep on lending and expanding when the signal is to curtail or fail to lend when the signal is to move ahead, the exercise by the centr bank of the above mentioned power to raise or lower the reserve ratio, would make effective the lead desired by the central bank. The demand of an additional amount of reserves by fixing a higher ratio would in the case of the banks which were loaning too much, curtail their operation: and where they were not loaning enough, would supply the central bank with additional resources with which to suppl credit to other banks prepared to move ahead or possibly provide credit direct.

Control of Distribution of Credit.

In a previous article it was alleged that Canadian banks did not fairly distribute credit, that certain class of borrowers were discriminated against in favour of more favoured classes and that the terms of borrowing or of renewing loans were made oppressively hard both as to cost and as to security demanded. Possibly this policy is a deliberate one on the part of the banks in order to discourage borrowing by classes of borrowers in which the banks are not greatly interested.

It was proposed in view of the fact that the banks wi make little if any use of rediscounting facilities at the central bank or at all events, will make so small use as t render a central bank unnecessary so far as rediscounting concerned that the initiative in rediscounting be not confined solely to the banks but that the public be permitted to place before the central bank for review all

complaints by borrowers seeking new loans or discounts or renewals of same from any of the other banks. The paper submitted could then be considered by the central bank board after report thereon by the local board if approved would then be referred back to the member bank for reconsideration. All such paper would probably be acceptable to any member bank as it would be in a class earmarked for rediscount if the bank desired to use it for that purpose. No principle of ordinary central bank rediscounting would be affected the only difference being, that the public could have direct access to and share with the other banks the initiative in the use of the central bank and if the paper approved by it were nevertheless turned down by the other banks, it would probably be enabled to provide the discount direct. The Bank of France transacts loans and discounts directly with the public to the extent of about 30% of its loaning and seeks to make credit available to small borrowers and those neglected by the other banks.

It may be urged that the use of a central bank is only for emergency purposes by the other banks and that it can lend only on the choicest of paper. This is not the view acted upon in the working out of the Federal Reserve system where rediscounting by the reserve banks is considered as available for the every day run of business for all self liquidating loans.

Use of Disciplinary Power.

In case any member bank will not loan on paper approved by the Central Bank in the manner above described and continues to loan where it pleases, the Central Bank Board

could either provide the discounts and loans direct to the approved borrower or use the disciplinary power above referred to. The banks or bank refusing to loan on such approved paper could be disciplined by requiring from them a higher reserve ratio and the consequent deposit of additional reserves with the Central Bank. The existence of such power and the threat of its use would probably in most cases bring the member bank to time and the loans would be made. If the power were used it would provide the Central Bank with additional resources with which to provide the loans direct or to rediscount such paper with other banks prepared to loan money upon it. To safely and intelligently exercise such a power the Central Bank would have to have knowledge supplied to it by the other banks of all of their loans and investments and full particulars of the same.

It is admitted such a power is very drastic and has not yet been given to any central bank. But surely Canadian banks cannot be permitted for all time to wield their despotic control of the national credit. Harmful and unwarranted interference with the conduct by the banks of their business is not desired but surely some power should reside in the Central Bank to ensure that the total of the volume of money and credit be distributed equitably and with regard to the best interest of the whole public and to the neglect and unfair treatment of no legitimate interest. When the Central Bank Board finds that such legitimate interests are being neglected or unfairly dealt with and when actual cases are brought before it which it has investigated and has found are receiving unfair treatment while the money and credit under the control of the banks is

being, by them, placed out in other directions not considered as advantageous to the public welfare, it surely should be held desirable to give the Central Bank the power to direct the flow of credit in the direction it finds to be desirable. If it deals only with such investigated cases and uses the disciplinary power only when abuses in the granting of credit by a member bank or banks are found so to exist, the exercise of such power could surely not be held to be unwarranted and mischevious.

The real problem lies in creating machinery for the appointment of a board and finding a board capable of exercising free from influence of any character any such powers. This subject is referred to later.

Relation of State to Central Bank.

Reference has been made to the relation between the State and the Central Bank and that in order that the Central Bank may be able to exercise its control of the monetary system in a satisfactory manner, and with wisdom and good judgment, it must be free from any direct control by the government. No member of the government should be the Central Bank Board as he would only be a mouth piece of the government in power and would not be able to exercise any independent judgment where the interests of the government were concerned. The exact relations of the government and the amount of State control and interference with the Central Bank should all be clearly defined in the Act constituting the Central Bank.

The Central Bank will act as a depositary of government funds and carry out the vast clerical work connected with governmental accounting. It will also provide the government with its short-term financing requirements.

As to long term demands of a government it is generally recognized that long term borrowing from a Central Bank or from any bank is the rankest kind of inflation if indulged in to any great extent or perhaps to any extent. But when emergencies arise such as war or acute depression and the government in its extremities sees fit to borrow from the central bank for long term requirements instead of attempting to finance by a sale of bonds on the market to the public, there is nothing that will prevent it. The Canadian Government has lately borrowed in this way from th banks and if there were a Central Bank it would do likewise as all governments will do and have done when the need arises.

But in a reasonably well governed state governments finance either out of revenue or by a sale of bonds to the public and do not allow themselves to get into debt with the central bank, and this has been the experience under the Federal Reserve System. When an emergency arises, such as war or acute depression the advice of a central bank board will be most valuable and while the need of the government might be great it would hardly attempt to override the opinion and advice of the central bank board and compel a large loan to the government from the bank. But the emergency may be great enough to warrant such action an then no reasonably minded central bank board would seriousl oppose it. Economists hold that issue of money to a govern ment by a central bank may or may not be a vicious inflatio It may be that the price level being very low, a loan of reasonable proportions by the Central Bank to the governmen might be merely corrective and be sort of what is now calle

a reflation. It all depends the authorities on such matters say as to whether such loans to the government by the bank upsets the monetary equilibrium, for ordinary government financing may do that if too much money is poured out at an inopportune time. Who is to say or to know whether such policies should or should not be pursued by the government through the Central Bank better than the central bank board itself? It alone can provide the government with the best possible advice based upon its accumulated knowledge and experience.

Cooperation With Other Central Banks.

Control of the banking system by a central bank will enable this country to cooperate with the central banks of some thirty or more other countries which have central banks to assist in maintaining international equilibrium of the price level as well as internal equilibrium. Canada is now rather unique among civilized nations in having no central bank. In 1920, the International Financial Conference at Brussels passed the following resolution:-

"In countries where there is no Central Bank of Issue, one should be established."

Acting on that resolution the countries that previously formed part of the Russian and Austrian Empires some South American and Central American states and South Africe proceeded to establish central banks and one is proposed for India. To date Canada remains outside the pale.

Character of Central Bank Board.

Lastly, but by no means least, and perhaps most important of all is the question as to what kind of board will control the central bank and how is it to be appointed

If it is to be free from both the control or influence of the state or of the banks or of any other influence, how is it to be chosen? A study of the charters of many central banks leads to the belief that an appointed board, appointed by the government but upon which there was no member of the government or otherwise in the government employ would be preferable to a board elected by the shareholders or partly appointed by the government and partly appointed by the shareholders. If the institution is denied all profits say over 5%, as is the case in most central banks, the shareholders will have but a lukewarm interest in the election of directors. Furthermore, if the banks are allowed to elect certain members of the board these members will be merely mouthpieces of the banks and will exercise no independent judgment.

On the whole, a board appointed by the government for a term of say five years, and selected from the ablest and most capable persons with a tested experience and ability and being men of business, bankers, industrialists and others representing banking, commerce, industry and agriculture would be most likely to give the best service. The bankers would represent no banks but would merely supply the board with men of tested banking experience. The high honour attracts men of the highest ability under the Federal Reserve System and would attract that class of men in Canada. We have a Railway Commission and other commissions. We have a Judiciary. In all of these we have confidence as to their impartiality and freedom from influence. We can surely have a central bank board of the same calibre.

The central bank would have branches in each important

city in Canada operated by a local board chosen by the central board or by the government.

THE CHAIRMAN: Mr. W. Fulton has also supplied a brief. Is he here?

MR. W. FULTON: Your lordship and gentlemen, may I preface my remarks by stating that while my association with Calgary is only temporary and quite recent, my business experience in Western Canada extends over 25 years.

I also am one of those who have to worry about earning my own living. You all realize the important charge that has been placed upon you for an improvement in conditions in Canada, and one of the things you are specially directed to consider is the question of a central bank. I have made some study of the question of a central bank for Canada and I desire to take the liberty of presenting the views that I have before you. The representations that I place before you are entirely my own, and there is only one authority that I have looked up.

The first thing that appealed to me when thinking of a central bank was, exactly what is a central bank? What would be its special purpose in the Dominion of Canada? I have taken the liberty of drafting out my set-up of what I think a central bank for Canada should consist of.

(Page 940 follows)

I have used the word central reserve bank because fifty years ago we did have an institution called the Central Reserve Bank of Canada, which was incorporated by parliament and became insolvent. The powers and purposes of the central reserve bank that I propose would be as follows: to be the banker of the government of Canada; to represent Canada in all international discussions and agreements on matters of credit and currency; to maintain as far as possible uniformity of the value of Canadian currencies in relation to those of other countries, particularly Great Britain and the United States; to furnish and regulate the supply of currency in Canada;to furnish an adequate and equitable supply of credit in Canada adjusted to the needs of its industries; to hold the gold reserves of Canada and of the chartered banks; to hold silver stocks up to an amount determined by international agreement as legitimate monetary reserves; to deal in gold and silver; to hold these surplus reserves of the private incorporated banks; to have the exclusive prime distribution of all metallic currency in Canada; to have the exclusive right of bank note issue, and to the maximum determined by parliament, such notes to be legal tender in Canada in any amount and to be the sole bank note legal tender one year after the bank is inoperation.

Then as to capital, ownership and profits:
The capital of the bank to be one hundred million dollars; the Dominion of Canada to hold at all times at least sixty per cent of the issued capital; the chartered banks to hold in all not more than forty per cent of the issued capital (the holding of each chartered

bank to be in the proportionof the total of its capital and surplus to the combined total. The stock held by the chartered banks to receive out of the profits of the Central Reserve Bank a maximum dividend of 6 per cent, cumulative. Profits beyond the above dividend to be divided between the reserve fund, pension fund and the Dominion of Canada. Then as to management, it would consist of a governor and a board of directors with the Minister of Finance having the right to nominate a representative to attend board meetings but without voting power. The governor to be a man of tested banking experience, and to be appointed by the government of Canada for a period of seven years and to be removable only by parliament.

The board of directors to consist of eight persons, five named by the Dominion government, three by the chartered banks acting in concert. Of the five persons named by the government one to be appointed from each of the five commercial divisions of Canada (the Maritimes, Quebec, Ontario, Central West, Alberta and British Columbia). Each shall have been resident in such division for the previous five years and have had an active experience in agriculture, commerce, finance or industry. Of the three persons named by the chartered banks none shall be an active officer of a bank. The term of office of a director shall be three years. The governor shall manage the affairs of the bank, recommend to the board for appointment all officers, recommend to the board the rates of interest and discount, and be the voice

of the board before the public.

Then as to customers, the customers of the Central Reserve Bank shall be limited to: the Dominion of Canada; the provinces of Canada; the chartered banks of Canada; the Central banks of Great Britain and foreign countries; approved banking organizations in other foreign countries having no central bank; and such other public bodies as may be determined by parliament with the consent of the governor and board.

As to operations, the bank shall transact all banking operations of the Dominion government. The bank shall transact such banking operations with the provincial governments as may be determined by the governor with the respective provincial treasurers within the limits of policy set by the board. The bank shall supply the chartered banks with their currency, re-discount the notes and securities taken from their customers, as tendered (within the limits of the safeguards set up by the board); shall receive and furnish their foreign exchange. The classes of paper suitable for re-discount would vary from commercial paper up to ninety days maturity to paper secured by agricultural products or natural resources in process of development up to nine months maturity; and generally such other paper or securities regularly dealt in by commercial banks would be recognized. The rates of discount as set from time to time could differ for different classes of paper or according to the length of maturity, but would be uniform throughout the Dominion. No chartered bank to charge its customers more than three per cent above the re-

discount rate on paper re-disctounted with the Central Reserve Bank. The operations between the Central Reserve Bank and foreign banks to be those of exchange. The Central Reserve Bank could accept deposits to the credit of foreign banks and hold part of its funds abroad and in foreign currencies.

Generally the bank should establish such branches throughout Canada as it deemed necessary for its business and also establish agencies or branches in Great Britain and foreign countries. The bank to make public regular periodical statements of its position.

And finally the bank would be operated as a public trust.

I think the set-up I have given there is rather an orthodox set-up embodying a great many of the main features of the thirty or forty central banks throughout the world. It is organized on a conservative basis giving the chartered banks a prominent but not a dominating position in its management. It would be Canada's representative in all discussions with foreign countries in connection with banking and currency. It would have the national control of the banking capital of Canada and the management of the flow of currency, credit and foreign exchange.

There are some reasons why I think such a bank would be entirely desirable in the Dominion of Canada. The first reason I would say would be psychological. During the last two decades we have had in Canada the experience of a gradual absorption of many of the charter banks into the few banks that are now in existence, and i

the process of that absorption there have been many questions raised by newspapers and serious-thinking individuals as to whether there was not a condition arising in the Dominion of central control within a few hands in Canada that would not be to the best interests of the country. Then during the last four years we have had a series of investigations of various classes of companies in which the control or the interest was in the same hands which control our banking system, and in the last two years we have had an enumerableinstances of the contraction of credit more especially in western Canada, where it is impossible to get it at all in certain districts. In the last few months in the United States a series of investigations has taken place with reference to financial matters which have had a very detrimental effect on the public mind. I do not think it would be possible to exaggerate . There is in the public mind in Canada the impression that the control of banking operations in this country, and even that the control of government in Canada, some go so far as to say, is in the control of a few men and it is only natural, they say, that these few will not overlook their own interests in any of their actions. I believe that a change from such control to an institution such as I have outlined, and I do it purely for the purpose of clarity, would have a tremendous psychological effect on the minds of the people of Canada and that is a factor which we have to bring about in order to improve the general monetary condition of the people in the special conditions they are passing through to-day.

Then again, in reference to the discussions that have taken place in London in the last few weeks and the comments that have been made upon them, there has been running through them all an insistence that it is part of modern national machinery to have a central bank which will have the general control of credit and currency.

THE CHAIRMAN: You must understand that we have had all these things before us.

MR. FULTON: These considerations came to my mind. There is a final consideration, and it is this, that with the control of currency through the one source, and with the ability of the Dominion government to pump if necessary a further flow of currency into the transactions of the Dominion of Canada according to its needs, it seems to me that a central bank is practically the only channel that can accomplish successfully that particular purpose and secure thebest results, and so I have taken the liberty or had the temerity to place before you definitely what in my opinion would be a conservative Central Reserve Bank of Canada that would best serve the national interests.

THE CHAIRMAN: There are one or two other names before us.

MR. GEORGE HUSER: I was raised in Germany, sir. I was thrown on the world when I was a boy, and at the age of fifteen I landed in the United States. I rode the ranch and we tore up that ground and raised wheat. I started to raise wheat twenty years ago. I went to see a banker who was kind enough to lend me the money to start with, and kind enough to charge me 14 per cent on fifty

cent wheat, and I paid him. I was in the United States for twenty-five years and came away with a good taste in my mouth, as we say in the west. I have lived in the west and talk the western language. I have nothing against the United States. I came up here because there was no chance for myself and my boys there, my boys then being fourteen and fifteen years old. I have done business here for twenty-twoyears. I have three thousand acres in crop, forty-five miles northeast of here. I am a Canadian citizen of which I am more proud than anything else. I give you my word of honour I am not here to make a good fellow of myself at the bank. I am here as a Canadian citizen because I think that everybody should have a fair hearing. I have been raising wheat for twenty-two years on a large scale, facing drought and hail and everything else, and I have never yet beenrefused accommodation by a bank. In my humble opinion we have the very best banking system right here in this country. I do not know that I could defend it if a lawyer attacked me on that subject but I consider that we are paying a decent rate of interest because while in the United States werwere paying 12 and 14 per cent here we are paying 8 per cent and naturally that seems a reasonable rate after the other. I have been through the mill as the saying is, come up the hard road and we have no kick against the manufacturers, the bankers or anybody else.

THE CHAIRMAN: Thank you very much, and more power to your elbow if I may say so.

MR. MALMBERG: I shall be glad, Mr. Chairman, to

answer any questions you like to ask me.

THE CHAIRMAN: We would rather hear you if you have any complaints to make.

MR. MALMBERG: As far as the banks are concerned any complaint I have is only a minor one. I have always been treated all right. If I asked for credit and was entitled to it I have always got it.

THE CHAIRMAN: We had your name on our list as someone who would put some representations before us, but if you think the case has been adequately covered by those who have preceded you, we are content.

We have had the advantage to-day of hearing the representatives of most of the bodies and as well many individuals representing the interests of agriculture. We have the advantage also of the presence here of representatives of some of the banks. They may have learned quite a lot in the course of these proceedings and it is only right that they should in turn place before us any considerations they desire either by way of exposition or observations that they have to make. May I ask who is here to speak for the banks?

MR. J. B. CORBET (Superintendent, Alberta Branches, Canadian Bank of Commerce): I have associated with me, sir, Mr. J. H. Menzies and Mr. G. R. F. Kilpatrick.

THE CHAIRMAN: I think you might most usefully help us if you deal with some of the points you have heard referred to in the course of the evidence to-day, but before we do that I understand you have a brief tl to put before us.

MR. CORBET: I have a prepared address:

To the Chairman and Members of the

Royal Commission on Banking and Currency

My Lord and Gentlemen:

1. On be half of the chartered banks operating in Alberta we beg to extend to you a cordial welcome to the Province of Alberta and to offer our best co-operation in carrying out the important commission which has been entrusted to you.

2. Prefacing a brief review which we will attempt to give of the services rendered by the chartered banks to agriculture, commerce and industry in this Province, we venture to submit the following figures which may be of some value in creating apicture of our physical and other conditions:

3. The area of Alberta is approximately 255,000 square miles, or 163 million acres, of which over 4 million is covered by water. The length of the Province is 750 miles north of the International Boundary and its width varies from 180 miles in the south to 400 miles at the northern extremity. In area it is more than twice as large as Great Britain and Ireland,

4. According to the Dominion census of 1931 the total population in that year was 731,605 or 2.87per
total population in that year was 731,
square mile. The population was divided as follows:

Rural	453,097
Urban	278,508

5. The estimated agricultural area is 97 million acres. The total number of famrs in 1931 was 97,408 (an increase of over 17% compared with 1921) covering an acreage of almost 39 million acres (average size per

farm 400. 15 acres) of which 17¼ million acres were improved (average acreage of improved land per farm 182.35 acres). The value of farm property in 1931 was estimated at $916,000,000, an increase of 37.65% over 1921. (The 1931 figures are understood to include land, buildings, machinery and equipment, and farm animals).

6. Agriculture is the most important industry of Alberta. Its development has been from south to north; in the 1870's the ranching industry was established in Southern Alberta, particularly in the area south of the Red Deer River. This area is made up of open prairie land except for the Western portion, which includes the foothills and the eastern slope of the mountains. It became famous for its natural grasses, which cure on the stalk and provide excellent fodder for all classes of livestock. It is what is known as the "short grass country", the grass itself being colloquially described as "prairie wool". During the winter it also benefits by the prevalence of the Chinook winds from the Pacific Coast, which frequently have the effect of enabling ranchers to winter their livestock in the open the year round. Today in this area ranches have been replaced to a considerable extent by farms. Nevertheless, the ranching industry remains an important one. In the light of a number of years' experience it would appear that it was a mistake to throw open to farm settlement large sections of this ranching area with a normally limited annual rainfall, or where irrigation methods were not practicable. With the development of farming, wheat has become the major crop of Alberta. In 1906 the area in wheat in Alberta was roughly 177,000 acres, while

in 1932 spring wheat was grown on an area of 8,200,000 acres.

7. According to figures published by the Agricultural Branch of the Dominion Bureau of Statistics the estimated gross annual agricultural revenue of Alberta for the years 1930 to 1932 inclusive was as follows:

Field crops	$110,284,000	$98,916,000	$83,331,000
Farm animals	24,422,000	14,584,000	10,898,000
Wool	250,000	228,000	195,000
Dairy products	17,676,000	16,573,000	14,661,000
Fruits and vegetables	2,173,000	1,741,000	1,426,000
Poultry and eggs	10,147,000	5,883,000	4,115,000
Fur farming	303,000	298,000	229,000
Clover and grass seed	171,000	83,000	77,000
Honey	99,000	92,000	44,000
	165,525,000	138,398,000	$114,976,000

8. The above figures illustrate the effect which the fall in the prices of farm products has had upon the farmer's income. They do not, however, tell the entire story because the average production of field crops in 1932 was appreciably larger than in the years 1930 and 1931, e.g. the total yield of wheat in those years being 133, 136 and 172 millions of bushels respectively. These variations were due mainly to climatic conditions, but the larger crops in 1931 and 1932 were partly attributable to an increase in wheat acreage.
(We are appending a statement showing the variations in the acreage, aggregate yield, yield per acre, and the estimated value of the chief field products in Alberta for the 10 year period ending 1932.)

9. The figures submitted will indicate that the

pursuit of agriculture is subject to a number of natural hazards which can neither be controlled nor forecast. The annual precipitation is a factor of prime importance in the production of field crops and feed for livestock and it therefore affects both the farmer and the rancher. It is subject in Alberta to such variations that crops may vary from practical failures to record yields on the same land from year to year. While there are fairly well defined areas which are more subject to drought than other districts, no part of the Province is entirely free from this hazard. In common with States of the American Union inthe Rocky Mountain area, Alberta also suffers in some years from a high percentage of loss by hail. For instance, the Hail Insurance Board of Alberta fround that in the year 1927 the loss from hail was 17% of the risk insured and in 1928 13%; in 1929 the loss was equal to the average for the preceding 11 years, namely over 7 ½ Early frost can also seriously damage or destroy a crop in a district where other conditions have been satisfactory. Particularly in dry years soil drifting has also occasioned serious damage, especially in areas where the land is light or where cultivation has been intensive.

10. In addition to hazards of a climatic character, crops are also subject to damage by insects and other pests, e.g. in the early part of the growing season the activities of cutworms may cause some damage, which varies from year to year. Gophers, an animal of the rodent family, may also do considerable damage and in the last

the average prices have not met the cost of production and there is still uncertainty as to whether or not the present vacillating wheat market will rise to a point which will enable the marketing of this year's short crop at a profit. In the mean time the situation presents a serious financial problem. Tariff revisions in the United States in 1930 had the effect of practically closing the American market to certain important classes of our agricultural products, and the export of wheat and livestock to the United States has become practically negligible. Prior to the enactment of the tariff law of 1930 it had been the custom of the larger cattle ranchers for a period of years to ship their grass-fed cattle to the Chicago and other American markets, these cattle being purchased for finishing by feeders in the corn States, e.g. Illinois, Iowa, etc. Since 1930 it has been necessary for the cattlemen to find a fresh outlet and this has been done in the United Kingdom. Up to the present date this year it is estimated that more than 30,000 cattle will have been shipped from Canada to the United Kingdom, or double the volume exported to the United Kingdom, or double the volume exported to the United Kingdom in the same period last year. While this is an encouraging showing, the fact remains that the export of cattle and indeed of other primary and manufactured products of Alberta to the United Kingdom is handicapped by the long railway haul and heavy freight charges and, until recently, by the pronounced fluctuations in Sterling exchange and the disparity between the currencies of

year or two a plague of grasshoppers in the southern area has been a serious menace to the crops, the loss in some cases being as high as 50%

11. With regard to the livestock industry, the following figures regarding the estimated numbers and values of farm livestock in Alberta for the years 1929 and 1932 are taken from a bulletin of the Dominion Bureau of Statistics under date of February 1933:

	1929		1932	
	Number	Value	Number	Value
Horses	733,133	$35,568,000	726,010	$20,328,000
Milch cows	345,566	25,598,000	424,000	13,144,000
Other cattle	944,434	45,928,000	799,600	13,593,000
Total cattle,	1,290,000	71,526,000	1223,600	26,737,000
Sheep	520,000	4,828,000	833,700	2,234,000
Swine	770,233	11,211,000	1118,000	3,667,000
		123,133,000		52,966,000

The above figures indicate the increases or decreases which have taken place in the number of animals under the various headings and also indicate the trend of prices for livestock as shown by the respective valuations.

12. In addition to the natural hazards to which reference has been made above, the farmers and ranchers of Alberta also face the problem of markets and prices. The price of agricultural products has experienced extreme fluctuations in the past 20 years; even recently daily fluctuations in the price of wheat on some days have exceeded 10% of its total value. These prices are established in the world markets and are subject to world conditions and also to fluctuations in exchange quotations. In the last year or so it is claimed that

the two countries. For instance, the uncertainty in the exchange market has particularly affected the large packing houses in respect of the shipment of cured ham and bacon and other similar products to the United Kingdom.

The Banks' Service to Agriculture

13. In connection with the financing of the operations of agriculturists, it is necessary for the Banks to keep in mind the limitations and requirements of the Bank Act. It might be stated briefly that the spirit and purpose of the Canadian Bank Act is that the banking funds of the country should be used for the production and distribution of the natural products and the manufactures of the country. For instance, the Banks are expressly prohibited from landing directly or indirectly upon the security of lands or chattels. They are not prohibited, however, from taking security on lands or chattels as additional security for a debt already contracted to them. In the circumstances the general policy of the Banks is to make advances to farmers and ranchers to meet their legitimate operating expenses throughout the year on the understanding that such advances will be repaid from the proceeds of the sale of crops, livestock, and other products during the normal marketing period. Under the Bank Act a bank is expressly authorized to:

(a) Lend money to the owner, tenant, or occupier of land for the purchase of seed grain upon the security of a pledge in a form prescribed by the Act by virtue

of which the bank acquires a first and preferential lien upon the seed grain purchased and upon the crop to be grown therefrom;

(b) lend money to a farmer upon the security of his threshed grain grown upon the farm.

(c) Lend money to a farmer and to any person engaged in stock raising upon the security of his livestock provided, however, that such security shall not include any livestock which is by any statutory enactment ex exempt from seizure under writs of execution.

The power under (a) while of value in exceptional cases, is not generally availed of for the reason that the average farmer follows the practice of reserving from his crop sufficient grain to provide seed for use in the following year. The power under clause (b) is also limited to the extent that the security can only be taken when the grain has been actually threshed; it is therefore not available in connection with advances for operating expenses during the seeding, growing and harvesting periods. In the case of the average grain farmer the power under clause (c) is also of limited application, as generally speaking such a farmer's holdings of livestock apart from necessary work animals is usually quite limited. This latter power is, however, of value in connection with the business of raising livestock. It should be noted that in all three cases the "goods" covered by the security remain in the possession of the borrower until sold.

It is not therefore what might be termed "independent security" and it is not always possible for a bank to control the disposition of the proceeds of a sale of the goods covered by such securities.

14. In so far as the average grain farmer is concerned his capital is as a rule represented largely by his land, buildings, farm equipment, etc., and his ability to liquidate the bank's advances rests mainly upon his production. If owing to climatic or other causes he cannot produce a crop, of if his crop is not sufficiently profitable,he cannot pay in full his fixed charges such as taxes, mortgage interest, etc. and the liabilities incurred to cover his operating expenses. In such event it is usually incumbent upon his bank and his other creditors to carry him over to another season, and the bank having regard to its duty to protect the money of its depositors may require him to give such security as may be available for the "past debt". If such action is required, such security would depend upon a number of factors, chief of which will probably be the farmer's general financial position and the extent of his obligations. Such security for a "past debt" usually takes the form of a mortgage upon land and/or a chattel mortgage upon machinery, equipment and live stock. (In connection with security by way of chattel mortgage, the Bank Act since 30th June, 1923, stipulates that such chattel mortgage shall not include any personal property which is by statutory enactment exempt from seizure under writs of execution. This stipulation

does not apply to any other creditor who may take or hold chattel mortgage security.)

15. In addition to the requirements of the Bank Act it is necessary for the bank to take cognizance of certain statutory enactments of the province which affect credit and a creditor's right to recover. For instance, under the Homesteads Exemptions Act the homestead or home place of the debtor provided it does not comprise more than 160 acres in area, irrespective of its location or value, is exempt from seizure by virtue of writs of execution. The same Act also provides that certain personal assets comprising clothing, household effects, dairy utensils, food supplies, specified numbers of animals required for working the farm and subsistence of the family and certain implements, tools, etc., shall be exempt from seizure. The significance of the effect of this enactment upon the credit basis of a small farmer may be appreciated by stating that in 1926 according to a publication of the Provincial Government (these being the latest official figures available) out of a total of 77,000 occupied farms almost 31,000 comprised an acreage of 160 acres or less. However, the right to claim exemption upon the home place also extends to every farmer to the extent of 160 acres, whatever the size of his farm. In 1926, 23,690 farms did not exceed 320 acres in extent, out of which 160 acres would be exempt from seizure if used as the home place. There are also other provincial enactment

which must be considered, a synopsis of which will be submitted to the Commission in a separate memorandum. In referring to these enactments we should like to emphasize that they are not peculiar to the province of Alberta; the Homestead Exemptions Act was in force before the establishment of the province and is closely analagous to that of other western provinces; other enactments have been passed for the purpose of meeting emergent conditions and in many respects are similar to legislation in the neighbouring provinces. We should therefore like it to be clearly understood that we are not in any sense discussing or critizing their propriety, but are merely pointing out that they are among the conditions which a prudent banker must recognize when dealing with the investment of the funds which have been entrsuted to him.

16. It will be apparent from what has been said above that when considering the question of making advances for operating expenses to a worthy farmer the banker is faced with a somewhat serious problem. Not being in a position to take security as a rule, he must obtain and analyze a statement of the farmer's affairs to ascertain what his position would be if the proposed advances were not paid at maturity and he must also take into consideration the farmer's record for integrity and his ability to effect under normal conditions such production as will enable him to meet his fixed charges and his current liabilities. It must be remembered that the banks are not the only credit agencies which serve the farmer. In respect of

his capital expenditures he often incurs obligations for the purchase of his land, for buildings and other improvements, and for the purchase of equipment and implements. The vendors of such assets are in a position to obtain security upon the goods which are sold and other creditors are in a position to take security at the time the credit is given. Figures which were submitted before the Agricultural Committee of the Alberta legislature in 1931 indicated that credits of large proportions had been extended to farmers by general merchants, farm machinery companies oil companies, farm implement and automobile dealers which were reported to be in a "frozen" condition, in addition to which evidence submitted onbehalf of mortgage loan organizations was to the effect that payments in arrears on wuch liabilities had shown a considerable increase. (It is possible that the figures submitted by some of these organizations will be submitted to your Commission.)

17. It is evident that farmers as a whole incurred a heavy load of liabilities during the period of high prices for farm products which has to be repaid at present deflated prices.

18. As a result of the conditions mentioned above, the banks have been obliged in a considerable number of cases to carry over either wholly or in part their advances from one season to another and it is inevitable that in many cases fresh credit to such farmers should be restricted and that there are many farmers whose burden of debt and fixed charges is

such that they cannestablish no basis for credit without adequate security, which unfortunately is not usually available. Nevertheless we think it can be fairly stated that the banks have endeavoured to meet the situation by carrying over where necessary their farm debtors (taking such security for the "past debt" as was available where such protection was considered expedient) with the object of giving their debtors every opportunity to work out of their extended position. In addition to this, new credits have been extended to farmers and ranchers and while we are not in a position to quote definite figures, we have sufficient information to justify the statement that during the year 1932 fresh advances of a substantial sum were made to such borrowers to the number of approximately 30,000. (It is our understanding that figures in this connection will be submitted to your Commission elsewhere.) We think it is inevitable that in such conditions as we have outlined in many cases the bank would have no justification in extending credit freely to farmers who were in an involved financial position and whose ability to repay had been seriously affected. At the same time it is noticeable that the demand from farmers for advances for current expenses has appreciably lessened. This is probably partly due to the fact that expenses of operation have been reduced (either because of necessity or because of the natural trend), and also partly to the fact that many farmers have retained out of their year's proceeds an amount

sufficient to enable them to carry on their operations for the next season. The latter expedient has in a number of cases been adopted by arrangement with creditors. It can we think be confidently stated that in their day to day relations with their farmer customers the banks have not adopted any severe policy of restriction of credit. In the nature of things and having regard to all the factors involved it has been necessary to consider each individual case on its merits and in any worthy case where credit has been required for legitimate purposes, it has been extended. In the case of those advances which it has been necessary either wholly or in part to carry over it has been found that the majority of the borrowers are content to give adequate security to the banks, to which protection they recognize the banks in the interests of their depositors are justly entitled.

19. With particular reference to the ranching industry, the fundamental conditions are somewhat different. Owing to the tendency to mechanization of farming the industry of horse breeding has been under a partial eclipse for a number of years and it is not at present an important factor of the situation. The operations of the larger ranchers have to do with the breeding of cattle and sheep. As a rule their capital investments in relation to their total assets are comparatively small, as in many cases the grazing lands are operated under lease and the main investment is represented by the

cattle or sheep, as the case may be. Under normal conditions advances are made by the banks to ranchers on the security of assignments of their live stock under section 88 of the Bank Act with an adequate margin in marketable value to protect the bank against price fluctuations. The amounts of the advances required generally do not exdeed the value of the animals which a rancher intends to dispose of when they are in marketable condition. This is not to say that instances have not occurred where it has been necessary to carry a rancher over from one season to another, either because some unforeseen condition interferes with his ability to finish his live stock for market or because of lack of demand or a severe drop in prices at the time that his animals are fit to sell. Both market and price conditions for the past few years have not been favourable to the rancher but on the whole we think it can be safely stated that his problem is not one which presents insuperable difficulties. Where because of special circumstances it has been considered wise by the banks to take additional security upon fixed assets, no objections have been made.

Distributing and Processing Establishments
secondary to Agriculture

20. Linked with the services rendered by the banks to agriculture is the financing of companies and organizations which purchase, manufacture and distribute the products of the farms and ranches. The principal of these are given below in the order

of their importance, viz.

Line elevators
Slaughtering and Meat Packing
Flour and Feed Mills

21. The financing of the companies and organizations which purchase the grains produced by the farmers is one of the most important financial operations in this and the other western provinces. These companies and organizations have a large investment in grain elevators and other storage facilities distributed throughout the province, as well as sufficient working capital to provide the banks with an adequate margin in the marketable value of the securities taken under sections 86 and 88 of the Bank Act by way of warehouse receipts, bills of lading and other shipping documents, and assignments of grain, with adequate insurance protection. Some of these companies and organizations have their headquarters in Alberta, where their financial arrangements are made, but the main body of the business is centred in Winnipeg, at which point the banking arrangements concerning their business in Alberta and the other provinces are attended to. It is a customary condition that all purchases of grain by a company shall from day to day be fully hedged by sales for future delivery on the Grain Exchanges to protect it against market fluctuations. The bank advances to such companies and organizations reach their peak during the periods the farmers are marketing their produce and normally begin to run off in the spring and early summer, and are repaid by 31st August,

before the new grain season begins.

22. In addition to making direct advances, the banks act as paying agents by establishing at their country branches credits, generally limited to a specified amount per diem, for the encashment of grain tickets and other documents for the purchase of or advances upon grain. This makes the distribution of funds comparatively easy and takes away from the companies the burden of supplying their agents with cash.

At the same time, to the farmer it means that as soon as he places his grain in a country elevator he may obtain ready money without delay, either by sale or by taking an advance from the company upon his grain. The grain tickets and other documents cashed by the branch bank are forwarded to the centre where the company's head office is situated for redemption. The grain purchased by the company becomes available as security for direct advances from the banks.

23. In 1931 the gross value of the products of these establishments was nearly $10,500,000 (these being the latest official figures available).

24. In May 1931 the gross value of the product of the mills was over $9,000,000.

25. In respect of the establishments referred to in paragraphs 23 and 24 above, substantially the same method of financing their current requirements is followed as in the case of the grain companies, subject to such modifications as the varying character of the products may impose. The banks' advances are represented by the product upon which their securities are taken under Sections 86 and 88 of the Bank Act and are repaid from the proceeds of sales in the ordinary course of business.

Mineral Production

26. The total value of the mineral production of Alberta for the calendar year 1932 was as follows:

Coal	$13,441,193
Natural Gas (well-head cost)	3,962,060
Petroleum	2,654,533
Miscellaneous	1,086,047
	$21,143,833

27. This is the most important of our mineral industries. The output for 1932 was 4,870,000 short tons, subdivided as follows:

Domestic coal	2,576,800	short tons
Bituminous	1,733,700	" "
Sub-bituminous	559,500	" "

The market for the coal produced in this province is found mainly in the prairie provinces, as owing to the long freight haul to the central provinces (Ontario and Quebec) it is difficult for it to compete profitably with the anthracite and bituminous coals imported from the United States and the United Kingdom, while because of the advantages its competitors have through the use of the water haul over the great lakes it must fight for its market in Winnipeg and parts of Manitoba. Generally speaking, owing to price levels, the last coal season was not profitable to the companies. As a rule the larger established companies are sufficiently capitalized and where direct bank advances are necessary they are normally for moderate amounts of a temporary character at the beginning of the operating season. The main service extended by the banks to this industry consists of the discounting of accepted drafts representing sales of coal to dealers, with a usance of 30/60 days.

28. Production of crude petroleum in 1932 was 917,622 barrels, as compared with 1,455,195 barrels in 1921 This output, the greater part of which is naphtha from the Turner Valley fields near Calgary, is not sufficient to supply the local refineries which import supplies of crude from the United States. Owing to its speculative character

drilling for petroleum is not financed by the banks.

Other Manufacturers and Commercial Business.

29. The gross value of the products of manufacturing establishments other than meat packing companies and flour mills mentioned in paragraphs Nos. 24 and 25 above was approximately $48,500,000 in 1931, which are the latest official figures available. Apart from petroleum products ($8,000,000.) and butter and cheese ($5,850,000.), such establishements are of local importance only and do not present any problems peculiar to this province. As a rule, subject to the sufficiency of their financial position, they are financed for their current requirements against security under Secs. 86 and or 88 of the Bank Act, with the necessary insurance protection, where such security can validly be taken.

30. A considerable body of credit is extended to well established and well managed wholesalers and distributing houses of sound financial position, subject to the condition that the borrower will have sufficient working capital in his business to enable him to liquidate his liability to the bank in full at periodic intervals without increasing his other legitimate liabilities or incurring fresh outside liabilities to do so. In many such cases the special securities permitted by Secs. 86 and 88 of the Bank Act cannot validly be taken but where available and expedient security is taken by way of hypothecation of stocks and bonds and or trade acceptances and or of assignments of accounts receivable. The practice is also followed to some extent of discounting for commercial houses the trade acceptances of their customers, subject to the proviso

that the usance of such paper will be within the term of an ordinary commercial credit and that it is of good quality.

31. Credit is also extended to retail merchants of sound financial position to enable them to take their cash discounts from the supply houses. In many cases, particularly under the conditions of the past few years, the retailers take considerable credit from the supply houses and where this condition exists credit, if extended, is limited to moderate amounts, for short periods, where the source of repayment is assured.

As indicated in paragraph No. 30, credit is extended indirectly to retailers by the discounting of the trade paper given by them to wholesalers.

Conclusion

32. Preliminary estimates for the principle grain crops for 1933 indicate a field equal to about 61% of the long-time average, this situation being due mainly to the lack of rain in the southern and east central districts, where the wheat acerage is most concentrated, and too unfavourable climatic conditions elsewhere. It is hoped that the recent increase in the market prices for grains and other market products will offset this situation to some extent, although the benefit of such increase in districts where the crop is poor will obviously be negligible Dependent as all other business is upon the prosperity of agriculture, the outlook for a general improvement is not encouraging. Moreover, our exportable commodities are composed mainly of primary and secondary products of agriculture, which are subject to world prices and the

handicap of distance. It is unfortunate that the people of this province were not exempt from the wave of speculation which a few years ago prevailed on the North American continent and that an appreciable portion of the new wealth created in the years 1928 and 1929 was lost which might otherwise have been used to ease the burden of debt contracted in years of greater production and higher prices.

33. In closing may we be permitted to quote a brief human document written from the personal experience of one of our number. It reads as follows:-

"In 1889, forty-four years ago, when I was attached to the Imperial Bank of Canada at Calgary there were only two chartered banks in the Province of Alberta - the Bank of Montreal, the Imperial Bank of Canada - both being located in Calgary. The population of Calgary was about 800. To-day it has a population of approximately 80,000, and is the principal commercial city of Alberta with branches of seven chartered banks. When I opened the branch of the Imperial Bank of Canada in 1891 in Edmonton - forty-two years ago - it was only a hamlet, later incorporated as a town and later as a city. This was the only branch of a chartered branch between Calgary and the Arctic Ocean. The population was about 400. To-day there are eight branches of chartered banks in Edmonton and a number of sub-branches.

Throughout the province villages and towns have sprung up and the chartered banks have located

"branches in the various towns and villages, catering to the business of communities, principally farmers. To-day there are 246 branches of chartered banks in Alberta. The population of the Province of Alberta has grown from 15,000 in 1891 to approximately 730,000 to-day. There is no doubt that the banks, through the working of the Canadian Bank Act, have helped materially to build up the Province of Alberta; without the excellent banking facilities which the banks are able to offer the Province of Alberta could not have grown as it has done."

With an expression of the hope that it may be of assistance to you in your deliberations, the above is respectfully submitted.

(Signed) J. B. Corbet

(Signed) Geo. R. F. Kirkpatrick

(Signed) H. W. Menzies.

THE CHAIRMAN: I think you might usefully help us if you will with some points that you have heard referred to in the course of the evidence to-day. Your brief was prepared before the evidence was given, but there might be points that you have heard to-day on which you would like to comment. It is entirely in your hands.

MR. CORBETT: It is a little difficult to cover all the points that have been brought up in the evidence to-day but I should be glad to answer any questions that are asked, and if you will permit me I can deal with a few points that I have made a note of.

THE CHAIRMAN: I wish you would.

MR. CORBETT: Then later I shall be prepared to answer any questions.

There was one point which I discovered your lordship was interested in and that was the usance of notes. At the risk of being a little discursive I must say that the rules and regulations regarding banking in Canada are not made by the banks primarily but by the parliament of Canada in the Canadian Bank Act. That lays down the terms and conditions and we endeavour to comply with them and to apply them in a practical way.

I might briefly state that the whole spirit and purpose of the Bank Act is that the banking funds of the country shall be kept in a liquid position and used for the production and distribution of the natural products and manufactures of Canada. We are strictly prohibited from lending money either directly or indirectly on the security of lands or chattels.

Most of the [illegible]

the banking system, and incidentally apparently against some bankers, have come from farmers. The average grain farmer and particularly those who has Mr. Henderson said, devote themselves entirely to the production of small grains has no security to give the bank at all at the time the loan is made. He has no property that can be hypothecated to the bank legally. He may have a big farm worth a considerable amount of money, but he cannot hypothecate that to the bank as security for a loan.

THE CHAIRMAN: In addition to that the bank is prohibited from making loans applying to production purposes, so it is limited to advancing money for legitimate operating costs. Do you make advances on personal credit?

MR. CORBET : We make a great many on nothing but the unsupported note of the borrower.

THE CHAIRMAN: If a man appears likely to make good he can get an advance on his own personal security, can he?

MR. CORBET : Very largely, and particularly in regard to farmers that is the case.

THE CHAIRMAN: I do not know whether you have any statistics of the amount you have loaned on personal credit without security in recent times.

MR. CORBET : No, I have not, and under our system of course our banking reports are all published and submitted to the government. So it is very difficult to get figures from official sources regarding loans that are made in each individual province.

I understand as I mentioned in my brief that the

western subsection of the Canadian Bankers' Association has its headquarters in Winnipeg and that they are gathering informationwhich will cover the three provinces, because Manitoba, Saskatchewan and Alberta are to a large extent an economic entity.

THE CHAIRMAN: We must address questions of that sort to Winnipeg when we get there.

MR. CORBET: Roughly speaking I would say that normally, and particularly in regard to our farming business, we do at least seventy-five or eighty per cent of our advances from the unsupported note of the borrower. In consequence of the limitations placed upon us in regard to taking security and the fact that very few farmers have built a reserve in the way of stocks and bonds or securities that can be hypothecated legally we have to make advances on the general standing of the borrower. The procedure is this: We take the man's statement, and as far as is humanly possible we size him up both as to his credit and as to his capability, the latter being probably just as important as the former from the banker's point of view and if satisfactory lend him money for his operating expenses, to be paid off when he has completed his operations and taken off his crop.

THE CHAIRMAN: On that point we have had some evidence that the advances are made for too short a period.

MR. CORBET : That is precisely the point I was leading up to, making an unsecured advance to any person with the understanding that repayment of the loan will not be made until the product has been produced and sold. That puts the bank in the position that it has no control

over the borrower the minute he walks out of the bank with the money inhis pocket. Human nature being what it is, and this is a point that comes up very frequently, we find that before the date of payment comes around our client or our customer or our debtor proceeds to incur other liabilities, often giving security for them because private individuals and many corporations are not debarred as is the bank from taking certain classes of security, and then at the end of the season when the proceeds from the sale of his live stock or other produce is available we find that other people have a charge that ranks ahead of ours, and there is not enough to go round amongst all his creditors and we are left holding the bag. The only way in which we can protect ourselves is that, having decided to take the risk, we make our notes with a usance of three months, so that when the note is renewed there is an opportunity for the bank to consider the situation afresh and if they find that perhaps for reasons which are beyond the borrower's control or mainly so that his financial position has changed by incurring other large liabilities or giving other people securities, for instance we then have the right under the provisions of the Bank Act to take security for the past advance.

HON. MR. BROWNLEE: But if he has given security.

MR. CORBETT: He does not give security when he gets the loan. We have to take what additional security we can get.

HON. MR. BROWNLEE: There is a law in this province which has extended the time for setting aside provincial assignments. How do you still justify that practice?

MR. CORBET: Presuming that we take advantage of that legislation, there is only one way we can do it, and that is to attack it in court, and if we attack it in court there is nothing to prevent our client from putting himself under the Debt Adjustment Act which would completely tie our hands and the hands of everybody else.

HON. MR. BROWNLEE: You would not attack him at all so far as the provincial assignment is concerned?

MR. CORBET: The information we get from our solicitors is that any farmer can come under the Debt Adjustment Act and have a certificate issued. It is not a provincial security. There is no law in this province that protects a man who has already made a loan to an individual. If we were compelled to do that, not only the bank but the unfortunate farmer would be subjected to a very heavy expense to start with and to terrible delays because the administration of law in this province is slow. I am not criticizing its administration when I say that; I am simply mentioning a fact.

THE CHAIRMAN: If your purpose is to keep yourself in touch with your customers so that you might have the opportunity of reviewing their position at short intervals --the farmer apparently complains that it is done not merely for the purpose of reconsidering his position but he finds himself with an accumulation of interest when he renews. It is not simply a case of reviewing his

position, finding that he is unencumbered and then everything is as it was three days ago.

MR. CORBET: There may be specific cases where the loan is made for thirty days but in practice the practice is ninety days and very often in the case of a well established man whose reliability is beyond question it may be for five or six months. It all depends.

THE CHAIRMAN: The complaint seems to have been largely that interest is added and compounded at these renewal periods. I should have thought that the sum involved was very minute indeed and that it was hardly worth while to collect the gleanings.

MR. CORBET: It is really a bagatelle so far as the individual is concerned.

THE CHAIRMAN: It seems to be a source of grievance.

MR. CORBET: But in the aggregate it is of some value to the bank. When I tell you that for the last two years at least from fifty to seventy-five per cent of the country branch banks in Alberta have been running with an actual overhead loss, apart from our losses through the risk of business, you will realize that what seems a small matter to the individual may in the aggregate amount to something substantial to the bank and then it must be remembered that the bank rates in these western provinces for a great many years have not exceeded the rate given on a first mortgage and that supplies the bank services as well. I would go so far as to say that any community would be very fortunate to have a bank even if it did not loan a dollar to the inhabitants of that

community. From a practical standpoint there is no doubt that we must keep ourselves in a position where we can periodically review the position of our borrowers so that in the event of anything affecting the position of a borrower as compared with the time when he got the loan we can protect ourselves because we have to meet our obligations on demand in full.

SIR CHARLES ADDIS: When these notes are renewed is a demand made for interest?

MR. CORBET: We do try to get interest, but we are usually met with the statement, "Oh well, let it go until I am ready to pay you off."

SIR CHARLES ADDIS: If the note ran for a year the question of compound would still arise?

MR. CORBET: Exactly. We find that it is difficult to get farmers, and we have the same trouble with business people in the cities, to pay the interest when renewing a note.

HON. MR. BROWNLEE: How can the farmer be expected to pay interest?

MR. CORBET: He is not expected to do anything of the kind.

HON. MR. BROWNLEE: The whole question of repayment at the end of the short term would not come up?

MR. CORBET: Repayment of principal?

HON. MR. BROWNLEE: No, of interest.

MR. CORBET: Except perhaps under very extreme circumstances, a complete drought or crop failure, should not every farmer have some little side line that will bring him in pocket money and be a source of income?

HON. MR. BROWNLEE: Knowing conditions in the province during the last two years as you do, what side lines do you think a farmer is able to have?

MR. CORBET : I do not know, but we cannot discuss this question on the basis entirely of the experience of one or two years.

HON. MR. BROWNLEE: But surely we have to discuss it to some extent on the basis of what a man can reasonably do.

MR. CORBET : If the customer says he does not care to pay the interest or cannot pay it we carry it on.

HON. MR. BROWNLEE: But compound the interest?

MR. CORBET : Exactly. As a matter of fact I think that in other countries, Scotland particularly, to whose system our banking system closely corresponds, there is the practice of discounting notes, and if they are renewed of rediscounting them.

THE CHAIRMAN: As I understand the complaint it is that the term is too short to allow a man to get the real benefit of the loan for the purpose for which he is seeking it. He is borrowing it in order that he might be in funds to repay you after a certain interval. Nevertheless, although you both knew athat at the time of maturity his farming operations would not have been completed to the point of putting him in funds you take his note for a shorter period, and you say you do it so that you can review his positionin the interval. That does not seem to be a very good reason for compounding interest. It may be a reason for inquiring into his position and, if he has done anything to weaken it, a reason for following

him and making him pay. But it does not seem to be a very good reason for adding interim interest on the capital. That is the whole point. It is not a very large point but it has caused a good deal of annoyance and the question is, is it worth it?

MR. CORBETT: I do not think there is anything unfair about it. If a man, for instance, borrowed his money and let it run for twelve months and renewed four times within a year it amounts to slightly less than an addition of one-half of one per cent. When a farmer wishes to borrow from a bank he talks his position over with the manager and they come to some agreement as to what he will need until he can market his product. He does not borrow that sum all at once. We will assume for the sake of convenience that it is $1,000 he wants. He borrows $200, we will say, in connection with his seeding operations. Then he wants an additional sum to enable him to carry out his summer fallowing. Later on he requires money for harvesting and threshing expenses. He does not pay this interest for the entire year. In fact if he is a capable man and can clean up his loans every year the average rate of interest on the total amount borrowed would be very much less than eight or eight and a half per cent, or whatever it may be.

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COMMISSIONER LEMAN: Is there much difference, Mr. Corbet? Is it a common practice, compounding interest?

MR. CORBET: It works out about the same; it works out at about the same; that is, we are in Canada banks of discount, and we are authorized by the Bank Act to charge discount, and discount means the paying of interest in advance.

COMMISSIONER LEMAN: Does not the amount withdrawn from the capital represent the discount? Is that not earne from the very day on which it is issued?

MR. CORBET: Oh yes, undoubtedly, but I have no wish to bring any other organization into this discussion, but I think as a general rule in most countries -- I know it prevails in Eastern Canada - that it is considered that the loaner of short-term funds, such as a Canadian bank must be under our Bank Act, is entitled to one or two per cent. more than the loaner on a first mortgage, which is supposed to be a first charge on the property covered.

In loaning here, our rate for many years has been eight per cent. When we reduced our rate of interest on savings bank deposits from three per cent to two and one-half per cent. the farmer was immediately given the benefit of one-half of one per cent., and then within two weeks it was decided that we would make his rate seven per cent.

HON. MR. BROWNLEE: Do you think that as a matter of principle, short-term money should bring the same rate as long terms?

MR. CORBET: It should bring a better rate.

HON. MR. BROWNLEE: What about call loans?

MR. CORBETT: A call loan is a call loan. In New York, if you call a loan before twelve o'clock it must be paid into the bank Before three; if you call it after twelve, they have until twelve o'clock the next day to pay it. That is a call loan. There are no call loans in Alberta.

HON. MR. BROWNLEE: How do you justify the fact that you give credit to a manufacturing concern or other business es at a lower rate of interest, and do not extend the same principle to the farmer.

MR. CORBETT: Because we get other compensating earnings fromthe manufacturing business. We get a great deal of exchange. They usually keep a very satisfactory balance in their current account, and the amount of labour involved in handling their business is very much less proportionately. It is as easy to loan a good man, who can give you valid security under the Bank Act $1,000 - it can be done as quickly as making a loan of a hundred dollars to a farmer, who is not capable of bringing in a statement which can be relied on of his affairs. The amount of work involved in handling a branch in Alberta with farmers' loans running up to two or three hundreds of thousand dollars is far greater than handling business in a town of Ontarion which is largely manufacturing; the number of borrowers is ten or fifteen times as great, and on the theory that the labourer is worthy of his hire, I do not think that the bank charge is unreasonable.

HON. MR. BROWNLEE: Is it not a fact, Mr. Corbett, that all over this province and elsewhere in Canada there are thousands of farmers who give the banks as little

trouble as business men, and yet they pay eight per cent.

MR. CORBET : No, Our general experience with farmers is that they - even the good ones - are very negligent about attending to their business. They very often will let their notes go by, and we have to make a return to the Government of past-due debts, which are published under the invidious title of "Over-due debts", and we like to keep them down as well as we can.

It is also peculiar but the more sure a man is of his standing at the bank, the less careful he is to attend to these things as they fall due.

THE CHAIRMAN: I was rather interested in the absence of fluctuations in your rates of interest, Mr. Corbet.

MR. CORBET : It has been the policy of the banks in Canada to endeavour to maintain stable rates, and for years we have paid three per cent. on our savings bank deposits through good and bad years. There have been occasions when the rate of three per cent. on deposit which were withdrawable on demand - as you know, the law says we must have seven days' notice before savings bank deposits can be withdrawn, but that is never enforced - a depositor can withdraw his money at any time on demand, and there have been times when three per cent. was too high a rate of interest.

THE CHAIRMAN: I am thinking of the interest charged.

MR. CORBET : In order to pay three per cent. to our creditors, we have been obliged to maintain a stable rate to our borrowers.

THE CHAIRMAN: I should have thought the rate charged to the customer would depend very much on his security. If he had good security he could get very favourable terms, but your terms vary. I gather you charge the same rate to the man who offers quite adequate security, as to the other?

MR. CORBET: No, that is not the case.

THE CHAIRMAN: Your rates do vary accordingly?

MR. CORBET: Yes.

THE CHAIRMAN: I understand it was at first eight per cent., and is now seven per cent.

MR. CORBET: Yes. We have a countryman of yours living at Red Deer, who prefers rather than giving security, the special kind of security he is able to give on his live stock - he prefers to pledge government securities, and he gets the advantage of one per cent. But of course the difference between banking and what you might call "loaning money" has to be taken into consideration. If you went in to a bank and proffered Dominion Government securities as security for a loan, and you were merely a casual customer, a man who only used the banks when it suited his convenience to borrow money, a man who never loaned any money to the bank, and did not keep an account there, you would not consider that he would be entitled to as good a rate as the man who did business with you year in and year out. We are not money lenders; we are bankers, and we give very many privileges to the public---

HON. MR. BROWNLEE: One man said he was getting money at six per cent. without any government

security.

MR. CORBET: I think that was provincial government. As a matter of fact, it may have been a little of both the Dominion and the Provincial. It probably is. Apparently he is quite satisfied.

THE CHAIRMAN: I should think both parties would be.

MR. CORBET: Now, with regard to the question of twine.

SIR THOMAS WHITE: Just let me interrupt you for a moment. What bearing, in your opinion, has the number of branches in a bank and their overhead cost in Alberta or the West, upon the rate of interest charged by the bank? You see, we have an extensive branch bank system throughout the whole of the west; at some points you have a considerable volume of business, and at others not so much; you might have two or three banks where possibly one might serve; what bearing has all that upon the question of interest rates which you ultimately charge?

MR. CORBET: It does not affect it, Sir Thomas.

SIR THOMAS WHITE: It does not affect it?

MR. CORBET: No. I suppose in any other business if there are three establishments, competing with one another, it would react to the benefit of the people living in the community, because there probably would be a cut in prices, but not in a community where there was only one establishment, say, one general store, where the owner might take advantage of the fact that people would have to travel a considerable distance to trade with a competitor, and he might put a little increase

on his prices. We have figured out to take advantage of such a circumstance is hardly equitable.

SIR THOMAS WHITE: I do not think you understand me at all. We have complaints in British Columbia, and we now have them in Alberta, and we undoubtedly will have them in Saskatchewan and Manitoba, and I had them twenty years ago when I was revising the Bank Act, that the rates of interest were too high. There are certain factors which govern rates of interest. Why would you say that the rates of interest were higher in the West? Is it because to a certain extent you only have a certain volume of business in certain branches and want to show a profit there, that the rates of interest have to be higher here than in the East, or have we too many branches in competition with each other through the West, because the consuming public have to bear the expense of working out the system.

MR. CORBET: Undoubtedly. The reason why the rates are higher in the West than in the East is undoubtedly due to the fact that there are not the reserves of capital here. Until very recent years the loans by the banks in the three western provinces far exceeded the deposits they were able to gather up in those provinces. And in strictly farming communities the deposits are not good. Our big deposits in Alberta come from the cities and industrial points.

SIR THOMAS WHITE: Another factor bearing on the interest rates -

MR. CORBET: And the general run of expenses has been higher.

SIR THOMAS WHITE: Another mode of approach is the supply of money. Is there any shortage of credit in the banks? What I mean to say is, supposing a man comes in and you are satisfied with his security; is there any shortage of money to-day in the chartered banks of Canada to meet that situation?

MR. CORBET: There is no shortage.

SIR THOMAS WHITE: Are you anxious to make loans or not?

MR.CORBET : We are anxious to make loans. Our statements, as well as the statements of all the banks show that our security assets are greater this year than they have ever been before. I think the last bank statement showed that, up to the 30th of June, 1933. Those securities were only bought because the bank must find some profitable way to invest the money rather than let it lie idle.

THE CHAIRMAN: Is that not the experience of all the banks, that they cannot get the money out; they would let it out if they had the opportunity of loaning it profitably.

MR. CORBET : Yes, my Lord, but there is another point about that; for instance, we found for the last two years our grain purchasing company - line elevator companies - have only been borrowing one-third of what they did in 1928 and 1929.

SIR THOMAS WHITE: You will find that is so all over.

MR. CORBET : Because they could buy three times the amount of grain for a dollar, and that has affected

the banks in that way, and also in another way. We act as buying agents for the elevator company, by cashing the grain tickets. When a farmer hauls his grain to the elevator he is given what is known as a "grain ticket", and if it is a cash ticket, it is presented to the bank under this arrangement with the head office of the Company, to the branch of the bank where the head office of the Company is, and that is cashed immediately by the bank and forwarded back to Calgary or Winnipeg, as the case may be, for redemption, with a charge of one dollars and twenty-five cents, per one thousand dollars for the labour involved, because the handling of these tickets is, particularly during the busy grain season, quite a chore, as we say.

Take our branches as a whole; we handle millions of these tickets, because a man gets a ticket for each load of grain he hauls in; they do not wait until all the grain is hauled in, but they give him a ticket for each load, and our earnings to that extent have also been cut in three.

SIR THOMAS WHITE: Is there any way, as far as you know, by which you could get a more effectual lien, if it is desirable, for advances made for seed grain and binder twine? That seems to be a live question, and it touches the whole question of production in the West, because the farmers must have seed grain and binder twine, and a great many of them have no security to offer. Prices are low and there is a considerable amount of uncertainty about the future, and I well realise that the banker might hesitate to take the risk, because he does not want to lend the money unless he is reasonably

certain of getting it back. Is there any way you can suggest, either through governmental guarantee, or the setting up of some boards which would act under governmental guarantee, which would enable the farmer to get the necessary advances for seed corn and binder twine where his credit might not otherwise be sufficient? How far do you say, as a banker, the banks should go with regard to that? I suppose it would be too harsh to say that you look at it solely in a cold-blooded business way? We have had the retailers say that the humanitarian aspect appeals to them to a certain extent; what do you think about the bankers with regard to the seed grain and binder twine? Is there anything they can do which they have not done on account of the risks involved? Is there anything you can suggest which would help us, because it does seem to be a very vital and fundamental problem.

MR. CORBET: There does not seem to be any way except to take as security the commodities which remain in the possession of the borrowers, and as his lordship said this morning, that is rather a peculiar situation.

SIR THOMAS WHITE: I endeavoured to give some liens during the war period, with the idea of facilitating credit operations on the part of the farmers? How far have these been helpful? To some extent?

MR. CORBET: It was the result of your action, Sir Thomas, that the banks were given power to advance money to the farmers for the purpose of seed grain, under the wording of the Bank Act, that those loans became a first preferential lien upon the seed grain

purchased and upon the crop grown therefrom.

The weakness of the thing is that the crop is not in any sense under the control of the bank, and numerous instances have occurred where having made the advance to buy the seed grain, even in cases where the crop has been fairly substantial, the bank has not got a dollar, and once the grain is moved off the farm the bank's lien disappears. It is simply a moral obligation and does not pay better in the last analysis than the promise of the man to pay from the first proceeds of his farm.

SIR THOMAS WHITE: I remember a leading banker in Montreal saying to me at the time, "It is all right to put it on the Statute book, but we must consider the moral risk of the customer, because we do not want to sell out under a chattel mortgage"; nevertheless, we put it on. I do not know whether it is on the books today or not - the chattel mortgage legislation.

MR. CORBET: No, it was at first at the request of some of the farmer organizations that the bank should be given some power to loan money on the security of live stock, and they took the stand that the security should take the form which complied with the Provincial law, and the only way it could be done was by way of chattel mortgage. That is a very cumbersome and expensive arrangement.

HON. MR. BROWNLEE: Do you remember the year that was passed?

MR. CORBET: I am afraid I do not, Mr. Brownlee, but it was before the famous "Cow Bill". It was passed as a result of a resolution passed by the United Farmers of Alberta at a Convention in Calgary, the sponsor of

The resolution being a Mr. --

SIR THOMAS WHITE: Brown?

MR. CORBET: No, a Mr. Dunham, now the clerk of the Court at Lethbridge.

Now, the question about taking security under section 88 of the Bank Act is peculiar, because it allows the security and the control of the security to remain in the hands of the borrowers.

SIR THOMAS WHITE: Still, in many cases that would be perfectly good. The borrowers would be very desirous of living up to their obligations if they understood it.

MR. CORBET: As far as our manufacturing business goes it has been very helpful indeed. There is no question but what it has worked very well, but I would say that the percentage of the cases where the bank does not get the benefit of the security amongst agriculturalists is fairly large. We may get part of it, but we do not get all that is payable under our security.

SIR THOMAS WHITE; Have you made any suggestion in there which will help us to help the people?

MR. CORBET; In view of the banking history of the world since the war I would very much hesitate to recommend that the Canadian banks should be given the power that the State banks have in the United States and also the national banks, to loan money upon mortgages.

You will probably know from your own reading of the Canadian banking history that shortly before Sir Francis Hincks assumed control, before Confederation,

one of the banks in Eastern Canada failed, and at the time of its failure it was found to have mortgages on lands in every county in which it did business in the Province of what is now Ontario, and one has only to recall what happened to the banks of Australia in the early nineties to see the danger of allowing the bankers to loan the money which must be paid on demand, entrusted to them by other people, thrifty hard-working people in the country, on security which is not readily realisable.

SIR THOMAS WHITE: Is there any organization here operating under government auspices -

MR. CORBET: Yes, we have had that for years; we have the Co-operative Credit Act.

SIR THOMAS WHITE: How does it work out in practice? Do not go into details, but tell me, has it been effectual or not? Has it been helpful or not?

MR. CORBET: To be perfectly frank I do not think it is helpful. We have had two very large societies liquidated at a considerable expense. The loans made to these Co-operative Credit Societies are supported by the guarantee of the Province of Alberta. To give you an indication of how they trust the farmers, they take liens on everything he possesses, and those liens apply not only to the crop in respect of which the loan was made in the present year, but if it is not repaid it continues to be a lien on the crops of all succeeding years until the lien is paid.

Now, speaking purely as a citizen of Alberta that is quite proper, because I do not think the government should guarantee anything which is not tied up as tight as it is possible to make it.

SIR THOMAS WHITE: Except possibly largely in the general interest at a time like this, where there is so much acute suffering, the government may take risks and even incur losses that would not be possible or practicable to privately owned concerns? That is often done.

MR. CORBET : Oh yes; I quite agree with that.

SIR THOMAS WHITE: That is, with the very precarious conditions existing at the present time. However, that is a little afield from our scope.

MR. CORBET : The position of all these societies of which I have personal knowledge, and which we have financed under government guarantee as far as possible, is that they have endeavoured to carry on a conservative policy, and we have counselled them to that effect, although we have been told that it was none of our business, that they had directors to run their own affairs, and were quitecompetent to run them, and for the bank managers to keep their mouths shut. They are carrying a heavy load of liabilities, some of which runs back to 1928 or 1929.

SIR THOMAS WHITE: I suppose in the west, as in the east, indeed, throughout the world, the great problem is debt, d-e-b-t.

MR. CORBET : No question about that.

SIR THOMAS WHITE: Individuals, corporations, Provincial governments, n ational debts and international

debts.

MR. CORBET: Yes.

SIR THOMAS WHITE: And with that burden of debt and the price level where it is, you have this difficulty we are speaking of.

MR. CORBET: Well, of course, there are other features. In this province we have had ever since this country was settled up, this heritage -

SIR THOMAS WHITE: We have it in the east; it is not singular to the West.

MR. CORBET: We have certain disabilities in the West which you do not have in the East, and that is known as the "Homestead Exemption Act." Under that Act, every farmer can claim an exemption from writs of execution on one hundred and sixty acres, which represents the home place plus certain specified animals and machinery, food supplies for his family, feed supplie for his animals, and the animals required for the subsistence of his family, and food for those animals as well. In other words, it means if a man has homesteaded one hundred and sixty acres, if he gets himself involved in debt, or if he comes out here with a heavy load of debt from his former domicile, he would have secured the tenure of his farm of one hundred and sixty acres, plus the necessary equipment to operate it. In a new country there is no question that is a very desirable thing, because we have had men who came out to the West after having failed not only in this country, but in a great many European countries and in the United States, and have made a fresh start on very little, and it

seemed only fair to give them a chance to get on their feet, so that any time they get an extra few head of cattle or a good crop, his old creditors cannot come in and clean him out and leave him struggling in the mire for ever and ever. I have no desire to criticize the propriety of an Act of that kind -

THE CHAIRMAN: What is the date of that Act?

SIR THOMAS WHITE: It was deemed to be in the public interest.

MR. CORBET: Yes, but it was a repetition of an act passed by the Dominion Government.

THE CHAIRMAN: It was originally a Dominion Act?

MR. CORBET: Yes. Alberta and Saskatchewan were four territories at one time which were administered by the Dominion Government.

HON. MR. BROWNLEE: Are you suggesting that is a difficulty?

MR. CORBET: Yes.

HON. MR. BROWNLEE: How is that a difficulty if you are not bound to make the loan?

MR. CORBET: If a man refuses to pay, you cannot collect, and after all a creditor has the right to collect.

HON. MR. BROWNLEE: You would not loan on the security of the land?

MR. CORBET: No, but we make our loans on the production a man will get from that land, and we have to take into account his financial position, and we cannot take the security from him; we have to take into account the assets he possesses. Under the common law of Canada a creditor should have the right to proceed

against a debtor who refuses to pay, particularly if he hasthe money to pay, by legal action through the courts in proper form to get the money. I do not think that this Commission would wish to recommend for one moment any procedure which would deprive a creditor from his legal rights, no matter whether it was a bank or anybody else.

THE CHAIRMAN: Execution cannot be had against a homesteader.

MR. CORBETT: No. If you register a caveat or writ against that homestead the farmer can make application to have it removed, and it stands, not only through his life-time, but if he died andhis widow continued to live on the land, the homestead right remains.

In 1926, which were the latest figures I could get, the figures of the Department of Agriculture under the auspices of Honourable George Hoadley, there were approximately seventy-seven thousand occupying farms, and of those, nearly thirty-one thousand were comprised of farmers which were on one hundred and sixty acres of land or less; on top of that there were twenty-three thousand six hundred and ninety, to be exact, farms which comprised only from one hundred and sixty to three hundred and twenty acres, and even if a man had a million acres he could always exempt that one hundred and sixty acres if he lived on it. He could always take that out and protect it from execution.

I do not know, but I would think the percentage to-day when our total farms have increased by about

20,000 - I think the percentage would be about the same, particularly in the northern part of the Province where we have a great many people of European origin, where people raise large families, and raise the food which the family require.

SIR THOMAS WHITE: Has there been any material reduction in the number of branches in Alberta the last few years?

MR. CORBET: Yes.

SIR THOMAS WHITE: Perhaps that is in your brief?

MR. CORBET: No. We did not cover that, but we can cover it later, but I think that is being dealt with in the head offices, where they can give you the story as a whole.

Now, with regard to twine. It is quite true that largely due to the effect of the Homestead Act, and that during the years of good prices many farmers through purchases of expensive machinery and automobiles and other things of that kind, for which they did not pay cash, involved themselves under such a burden of debt that no prudent banker could say they had any basis for credit, and could not put up first class security, that security which could be put in the possession and under the control of the banks, and it was necessary for the Government to come forward and proffer to the banks, not at the banks' request, but as a public-spirited effort on their part, their guarantees for loans only for twine - only for twine, nothing else. The machinery designed was that appointed for adjustment under the Bank Act and passed upon by them before it became effective. That was done and for the years

1931 and 1932. there were considerable sums advanced to farmers for the purchase of twine. The instructions issued by my own bank, and I believe by the other banks, were that the Managers should be particularly zealous in collecting these loans, as we did not wish to ask the Government to take up any more than could be avoided, and in the first year we obtained re-payment of ninety per cent.

Mr. Priestly made the statement, under perhaps a little suggestion from the questioner, that would prove those loans were intrinsically good at the time they were made. They were not. In practically every case I would say that the farmer's position was such that he had no surplus whatever, leaving his exemptions out; he had no basis for credit; his liabilities were so heavy that he had no basis for any unsecured credit from the banks, and it ought to be to the credit of the country bank managers that conditions were not worse, because they really put themselves out to collect that money.
It may be of interest to you to know - I will not quote figures, if you do not mind, but if you wish I can give them to you, but I will give you a general idea - that as far as my own bank is concerned we loaned over five times as much for twine, repairs to harvesting machinery and harvesting expenses without governmental guarantee as with it, and twine is only one item a farmer has to meet, and in lots of cases where we did make a loan to the farmer on the security of the Government guarantee for twine, we supplemented that by small loans he absolutely needed for repairs to harvesting machinery and threshing

expenses. We took a humanitarian view of the question and we took risks, and the records show that the percentage of collections without government guarantee were lower than the loans we made with the guarantee, for the reason I have stated. In 1932 we did advance four times as much.

SIR THOMAS WHITE: Without the guarantee?

MR. CORBETT: Without the guarantee, as with the guarantee.

SIR THOMAS WHITE: What about collections?

MR. CORBETT: The collections in both cases have been worse than they were in 1931, although we had a better crop in 1932.

SIR THOMAS WHITE: I meant relatively.

MR. CORBETT: Yes, relatively they are not as good. I think with respect to the loans guaranteed by the Government we have not succeeded in collecting much over eighty per cent.

THE CHAIRMAN: There was just one small matter, Mr. Corbett, I would like to ask you about. One gentleman came here to-day and lodged a grievance of a charge for operating his account and handling it. In this document - it is not your bank - I gather from what he said he has been charged five cents each for the cheques he has drawn on his account. It is a small account, obviously, but there were sixty-three debit entries through his folios in the ledger. He is allowed one cheque free for every twenty dollars with a minimum credit of one hundred dollars in the bank. Five of these entries were bank entries, so that means ten off of sixty-three, which leaves fifty-three, for which he is charged

five cents each, and he is charged with two dollars and sixty-five cents upon his account upon what is called "over draft". That does seem to be a heavy charge for running a small account for a month - nearly three dollars.

MR. CORBETT: Yes, I suppose it does to you, my lord, Personally and I think foolishly banks in this country are more free in opening up current accounts than in England or Scotland, and in the northern part of Ireland, from whence I come. We have found from very sad experience that a great many of these small operating accounts, not only of the individuals, but of merchants, are conducted at a very heavy loss to the bank. We have worked out, not over the banks as a while, but through the clearing houses, having regard to local conditions, a basis of charges which appeared to be adequate to cover the services rendered. We are not philanthropic institutions and I do not think up to date under our Bank Act, that it is intended we should be, and we are entitled to remuneration for the services we give. Very often it is the best bookkeeping that the small merchant has. He is not a very good bookkeeper, and we help to keep his books for him. We give him his cheques free of charge although they are produced at a very heavy expense on safety paper and engraved; we give him his passbooks and such other stationery as his account requires. We very often find that these expensive cheques are being used as scribbling pads.

In order to relieve the tension, I might say that there was a Scottish Gentleman in Calgary who was seen to go into one bank quite regularly, and a friend noticed that later on he had changed his bank, and he

saw him coming out of another bank, and he said to him, "I see you have changed your bank", and he said "Oh yes; this bank has much better ink for my fountain pen than the other one".

This is quite legal, my Lord, by a provision of the Bank Act this charge can be made by the bank provided the customer signs an agreement to the effect that he agrees to it. Of course, if we have his consent under that agreement we can make the charge; if we have not, we cannot make it legally; therefore, there is nothing unfair in the charge. As a matter of fact, when the matter is explained to the average small merchan who only has a little account which is always on the verg of an overdraft --

THE CHAIRMAN: They used to bharge you a premium at home if you did not keep up a minimum monthly balance.

MR. CORBET: I believe it is common practice in England that every six months they add up the debit side of the account , and charge a commission on it.

THE CHAIRMAN: Is it not a fact that in some banks the cheques are sold?

MR. CORBET : I understand they are. If I open an account in anEnglish bank I must be introduced by some responsible person, and I must undertake to keep a decent account and have enough to pay my cheques.

THE CHAIRMAN: My banker only charges me for the statements.

HON. MR. BROWNLEE: This letter reads, "The Bank has found it necessary to institute charges for the services rendered, and we have to advise you that in the future - " and so forth; am I to understand that

this arrangement was only put into effect this year by the banks?

MR. CORBET: No, that has been in effect for several years. In fact it has been in effect so long that at the last revision of the Bank Act the question was brought up and objection was made to it to the Banking and Commerce Committee of the House of Commons, who decided it was quite legitimate. It should be legalized and a charge should be made without the written consent of the customer.

THE CHAIRMAN: Why is that entry expressed in that way?

MR. CORBET; That is where the human element of banking comes in. A bank at any place is probably no better than its local manager, and perhaps it is an easy way to dispose of the thing. The instructions which went out from the supervising officer of the bank was that this matter be explained personally to the customer, and the manager was to show why he thought the charge was justified.

HON. MR. BROWNLEE: The reason for my question was for my own information to find out whether or not for the last ten years or so that has been the general custom in Western Canada.

MR. CORBET: Yes. I am not sure whether there is any revision of the Bank Act from 1923 up to the present time.

HON. MR. BROWNLEE: Was it a general custom before this year, or something which has been brought into general use this year?

MR. CORBET: No, it has been in effect for a number of years. Now, there is this modification to it; any manager is given discretion as to how far he will press this or whether in certain cases he should not give consideration to any exceptional circumstances which might arise, and he can modify it or reduce the charge, but generally speaking it is based upon the activity of the account. I would say that the charge would be avoided largely by the customer keeping at least one hundred dollars in the bank.

SIR THOMAS WHITE: You think it is necessary he should pay for the service?

MR. CORBET: Yes. The only alternative is to tell the customer, "Your account is unprofitable to us, and we do not want it; close it out and take it away; do your banking in your pocket."

THE CHAIRMAN: I do not think this letter informed the customer that the charge is legal by the customer assenting to it.

MR. CORBET: Of course, that charge should not have been made unless the customer had already signed the form.

THE CHAIRMAN: It may have been a reply, and there may have been something signed.

MR. CORBET: I do not wish to say anything which would embarrass any other bank, but I would apologize to you for that letter if it were written by a manager of my bank, because we find these things can be very much better explained by personal interviews, and by the mana setting before the customer the precise reason why he is making such a charge.

THE CHAIRMAN: There is nothing wrong in saying "We find it necessary to make a charge because your account is not remunerative, but we cannot make that charge if you do not consent to it; if you do not consent, we shall be obliged to close your account."

MR. CORBETT: Yes.

SIR THOMAS WHITE: In other words, a man should know what his position is with respect to his account.

MR. CORBETT: Yes. Is there not some obligation on a man to keep his account at a minimum figure ? Is it not unfair to put a hundred dollars in the bank and immediately turn around and issue two hundred dollars in cheques on the theory that some of them have to go to Winnipeg or Edmonton, or Montreal, and he would get the benefit of the flight? It is not a very high standard of honesty, and yet it is done by some people.

THE CHAIRMAN: Now, apart from the brief, is there any other point you care to mention to us this evening?

SIR THOMAS WHITE: You spoke about the question of losses, and I understood you to say something about "ninety-five per cent."; what do you say about that? What is the position? Perhaps I misunderstood you.

MR. CORBETT: The position to-day is - taking my own bank - I think sixty-six per cent. Two-thirds of our country branches, branches where the business is mainly of an agricultural character are being continued at a loss for the reasons I have mentioned. We are not getting our exchanges, commissions, commissions on drafts and commissions on collections, and commissions on our grain tickets.

SIR THOMAS WHITE: Or the volume of business.

MR. CORBETT: We are not getting the volume of business.

SIR THOMAS WHITE: What effect would a raise in price levels - a good all around raise in price levels - in the West have on conditions?

MR. CORBETT: A most excellent effect.

SIR THOMAS WHITE: That is what you want?

MR. CORBETT: A most excellent effect.

SIR THOMAS WHITE: That is what is needed?

MR. CORBETT: I may be old-fashioned and reactionary, but I claim, and I think I have as much authority behind me as many other people who advocate changes, that the country giant branch bank is nothing but a clearing house for the community in which it is located.

(Page 1020 follows)

MR. CORBET: Its business rises and falls with the business that is done. The bank does not create wealth. I would like to mention the case of the bank at Milestone, Saskatchewan, formerly a most productive and fertile part of the province. The Canadian Bank of Commerce there cashed just one grain ticket in two years because there was no production, consequently there was no business.

Mr. Brownlee, I think, referred to the greater production campaign. Undoubtedly the greater production campaign did create a lot of problems that had to be solved after the war, and as far as the banks are concerned they did take very heavy losses. But it did not make much difference. If we lost the war we would be in the soup, so to speak, and would have had to take a chance, and if we won the war we would still be able to take our losses and carry on.

Then there was the question of the production of livestock. In this old ranching province, take the district south of the Red Deer River with that wonderful quality of grass which is commonly known as prairie wool. It is a short grass which puts flesh on the cattle, and in the early days starting about 1870 this southern part of the province south of the Red Deer was a great ranching country, but eventually it was opened up to farming. It never should have been. We made a mistake against the advice of the old ranchers, and between 1902 and 1905 or 1906 this land was homesteaded. Not only was a man allowed to take up a homestead but he was also allowed a preemption which means that he was given an additional 160 acres at the rate of $3. per acre. There are large areas in that country which were converted into farms that are to-day absolutely destitute

of everything except weeds.

A few years ago there were three school districts running north of a point somewhat west of Medicine Hat; these districts were laid out in blocks, and in the centre block there was one family living and the head of the family was made a sort of general secretary for the three school districts. Those are the sort of mistakes that have been made. We could have avoided them, perhaps, if we had studied the history of some of the American states of the union, but we did not. Many years ago a prominent member of the government stated that what they wanted in this country was not blue blooded men and women but blue blooded horses and cattle. We have large areas of splendid farming land that has not as yet been touched. The prairies attract the settler because a man can stick his plow in and go to work, and probably some of those present here will recall the picture of a man plowing the prairie in the State of Montana, where a similar mistake was made, and large silver dollars flowing out of the furrows.

The question of livestock came up. The ranching industry is still an important one, and at the time of the war was just as important or probably more so than it is today; but the farmers conceived the idea that they should go into the business of breeding livestock, not buying the grass-fed cattle from the ranchers and feeding them and finishing them, but going in for breeding. In 1916 at a meeting held between the bankers and the representatives of the three big farming organizations in the three western provinces it was stressed very strongly upon the bankers that it was their duty to finance the farmers to buy breeding livestock and, for that purpose, to give them a

loan that would run for three years. The bankers pointed out that under our Bank Act it was very difficult for a bank to give a loan for three years; but after a good deal of discussion and after consultation with Mr. Arkell who was then prominent in the livestock department of the Department of Agriculture at Ottawa, it was agreed that the banks would endeavour to make advances for the purchase of breeding stoc at the insistence - the urgent insistence - of the farmers' organizations and backed up, I think I can safely say, by the agricultural departments of every one of the three prairie provinces; They would give them loans to selected men who had the facilities, who were handling cattle, on the understanding that these loans would run for three years because it takes three years for a bunch of cows to produce animals that can be prepared for market, on the understandin that at the end of each year the bank would have the right to review the circumstances of each case and decide whether the loan was one that should be continued or whether they should force the man to sell the stock and clean it up.

Just to give you an illustration: we had a young Irish man who was managing a bank in the northern part of Alberta; he had made two loans to farmers to enable them to buy cattle. One very cold day in the winter, there were very few people coming into town, there was nothing doing, he decided it was a good day to go out and see how those bunches of cattle were getting on, so at some risk to himself he got out his old Ford car, wrapped up as well as possible and drov out. He drove into one of these farmer's yards and he notic ed as he went in that there was a straw stack and at the straw stack there was a bunch of very poor looking cattle in

the lea of the strawstack. They were not eating the straw, simply trying to keep out of the cold. He went over to the house. The farmer heard the car and came out to the door with a boot in his hand and said "My lord, I did not expect to have a visit from you on a day like this". The banker said "What about those cattle", and the farmer said "Oh, they are no damn good, I am sick and tired feeding them, I am sorry I ever bought them". The manager said, "What are you doung about it, have you got no shelter for them?", and the farmer said "No, let them rustle for themselves". And it was in a brush company where he could have got poles and by sticking some straws around these poles and just leaving the south end open the cattle could have had lots of shelter. No man can make money out of cattle unless he feeds them.

HON. MR. BROWNLEE: Are you suggesting that that is a characteristic case?

MR. CORBET: I would say, sir, that with quite few exceptions the loans that were made by the banks as the result of that urging by the farmers' organizations, resulted in loss to everyone including the banks.

HON. MR. BROWNLEE: I was not asking that. I asked if you are suggesting that that is a characteristic case?

MR. CORBET: You know yourself, Mr. Brownlee of the famous campaign of a former government to get the bankers to lend money to farmers to buy cattle of all kinds, including breeding cattle, how it turned out and what loss it meant to the province of Alberta.

SIR THOMAS WHITE: I should think those would be exceptional cases.

MR. CORBET: An inspector of the Cooperative Credit

Society operating in the southern part of the province told --

THE CHAIRMAN: Oh, I think not, Mr. Corbet. We have had enough instances of that sort.

MR. CORBET: Well, this is confirmation if you will permit me, my lord. We are lending money largely on faith in this country, and this inspector told me that his experience was that the loans made by the Cooperative Credit Society for the purpose of feeding cattle for market had not worked out profitably in more than one case out of twenty.

The point I wish to make is this: a statement was made before your Commission that the banks went out and forced people to borrow money to buy cattle. I presume that I have exhausted your patience, my lord.

THE CHAIRMAN: I hope not. That is something we have an unlimited quantity of. However, I think you had met most of the points in your explanation about the rate of interest and the service charges, and so on. I think practically all the points that have been brought up to date have been referred to by you.

MR. CORBET: The statement I have put in is merely an attempt to set out the economic conditions that have existed in this province for the past two or three years, the handicaps under which the banks are obliged to work under legislation. Several points have been brought up here. For instance, the minutes of the two meetings between those representatives and the banks. You will probably get all that in Winnipeg. But there was one statement made here that the farmers were still paying 9 to 10%. As far as my own bank is concerned - and I know the other banks have

done the same - the instructions issued to the bankers are that the maximum rate for farmers' laons is to be 7%. That may be in many cases 7% discount.

HON. MR. BRAWNLEE: When was the notice sent out in that connection?

MR. CORBET: It was in May at the time when at the suggestion of the Dominion Government we reduced our savings bank rates from 3 to 2½%. Personally, I think it was a little bit hard to pass on to thrifty wage earners, people who had endeavoured to build up a little reserve by putting small sums into the bank for the purpose of protection against a rainy day, that they should be the first to take the cut. In addition to reducing the farmers' rates of interest to 7%, the rate to rural municipalities for a loan in this province was cut to 6½% from 7½%, and the rate on government loans to the province which were then at 5½% - and which compare very favourably with the amount that the government has been able to get on their long term securities - I think the last issue was on the basis of 6% and 5%. That is as far as our rate reductions have gone, generally speaking, because commercial business is dealt with very largely on its merits. We feel that commercial business has been charged a very fair rate and that for the present at least, having gone so far as did, by depriving the savings bank depositors of half of 1%, and giving the farmer the benefit of 1%, and municipalities had the benefit of half of 1% cut.

The only other point that I have in mind is regarding the retail merchants. The retail merchant, generally speaking is not a good credit risk because he takes a considerable

volume of credit from the wholesale houses and supply houses, and he has been free always in the extension of credit; and the figures given by the Retail Merchants' Association would indicate that the country merchants had got themselves into what has been described as a "frozen condition". I do not think that, generally speaking, a ma in that position have any license to get unsecured credit from a bank particularly when the bank is lending other people's money, although there are many cases where we do make advances to retail country merchants. We prefer to do it in cases where the merchant is in the position where by, borrowing from the bank he can take his discounts from the wholesalers. Our business with retail merchants as fa as country branches are concerned, such business as we wou do normally with retail merchants the profit from it would not begin to even pay the rent of the bank building. We open our country branches, or have opened them in the past for the purpose of giving service to the farmers mainly.

I might say, my lord, that the brief I have submitted to you refers to a synopsis of certain legislation which we thought it would be well for you to have and, with your permission, I propose to submit that to you at Edmonton or at a later hearing. I have also prepared an addendum to my brief dealing, to some extent, with the bank's service t municipalities, particularly to the rural municipalities, rural school districts, and other businesses of that kind, and that will be submitted to you at Edmonton if that meets with your approval.

THE CHAIRMAN: I will be particularly glad to have the legislative position in Alberta.

MR. CORBET: While there is a good deal of our legislation with which we do not agree I would like to make it plain - I have tried to do it already - that we are not in any way discussing the question of its propriety or criticising it, but that is one of the factors that a prudent banker must take into his consideration.

THE CHAIRMAN: Well, gentlemen, we are all very much obliged to you for the assistance which the Commission has received in Calgary. We have had a fairly long day but it has been a very useful day here and we have been able to cover quite a lot of ground. We have heard a great deal of representative evidence which will be of much value to us in our deliberations. I am sorry we cannot stay longer in Calgary. No person who has asked to be heard has been refused a hearing. It remains only for me to thank you for your presence here and for the very pleasant reception which you have accorded to us and to hope that our labours here and elsewhere throughout the Dominion of Canada may bring about that recovery which we all hope for.

---The Commission adjourned at 6:30 P.M., Friday, 18th August, 1930, to resume at Edmonton.

MR. CORBETT : While there is a good deal of our legislation with which we do not agree I would like to make it plain - I have tried to do it already - that we are not in any way discussing the question of its propriety or criticizing it, but that is one of the factors that a prudent banker must take into his consideration.

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---The Commission adjourned at 5:30 P.M., Friday, 15th August, 1930, to resume at Edmonton.